

REMARKETING — NOT NEW ISSUES — BOOK-ENTRY ONLY

On the respective dates of issuance of the below-described Offered Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, delivered its opinions to the effect that, as of the respective dates thereof, based upon an analysis of respective then-existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the respective 2000 Series A Bonds and 2000 Series B Bonds, 2000 Series C Bonds and 2000 Series D Bonds, 2002 Series C Bonds, 2005 Series D Bonds, 2006 Series A Bonds, 2007 Series B Bonds, and 2007 Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”); except that no opinion was expressed as to the exclusion from gross income of interest on any respective 2000 Series A Bond or 2000 Series B Bond, 2000 Series C Bond, 2002 Series C Bond, 2005 Series D Bond, 2006 Series A Bond, 2007 Series B Bond, or 2007 Series C Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of such Bonds are used or is a “related person”; (ii) interest on the 2002 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code (or Section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986 with respect to a portion of the 2002 Series B Bonds); except that no opinion was expressed as to the exclusion from gross income of interest on any 2002 Series B Bond for any period during which such 2002 Series B Bond is held by a person who, within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, is a “substantial user” of the facilities with respect to which the proceeds of the 2002 Series B Bonds are used or is a “related person”; (iii) interest on the respective 2000 Series B Bonds, 2000 Series D Bonds, and 2002 Series B Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; and (iv) interest on the respective Offered Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the respective 2000 Series B Bonds, 2000 Series D Bonds, and 2002 Series B Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income, and that interest on the respective 2000 Series A Bonds, 2000 Series C Bonds, 2002 Series C Bonds, 2005 Series D Bonds, 2006 Series A Bonds, 2007 Series B Bonds, and 2007 Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the respective Offered Bonds.

On the Remarketing Date, Bond Counsel will deliver its opinions to the effect that the delivery of the below-defined GSE Credit and Liquidity Facility with respect to the respective Offered Bonds will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the respective Offered Bonds. Bond Counsel is not rendering any opinion on the current tax status of the respective Offered Bonds. See “Tax Matters” herein for additional information.

\$287,870,000



CALIFORNIA HOUSING FINANCE AGENCY Multifamily Housing Revenue Bonds III

| | |
|---|---|
| \$78,480,000 2000 Series A (AMT) (Variable Rate) | \$29,920,000 2002 Series C (AMT) (Variable Rate) |
| \$6,340,000 2000 Series B (Non-AMT) (Variable Rate) | \$31,460,000 2005 Series D (AMT) (Variable Rate) |
| \$50,400,000 2000 Series C (AMT) (Variable Rate) | \$21,295,000 2006 Series A (AMT) (Variable Rate) |
| \$14,625,000 2000 Series D (Non-AMT) (Variable Rate) | \$8,955,000 2007 Series B (AMT) (Variable Rate) |
| \$25,080,000 2002 Series B (Non-AMT) (Variable Rate) | \$21,315,000 2007 Series C (AMT) (Variable Rate) |

Remarketing Date: January 14, 2010

Price: 100%

Due: See inside front cover page

This cover page contains selected information for quick reference only. It is not a summary of all relevant information. Potential investors must read the entire Reoffering Statement to obtain information essential to making an informed investment decision. Capitalized terms are defined inside.

The Offered Bonds will mature on the dates and in the amounts set forth on the inside front cover page. Interest on the remarketed 2000 Series A Bonds, 2000 Series B Bonds, 2000 Series C Bonds, 2000 Series D Bonds, 2007 Series B Bonds, and 2007 Series C Bonds will be payable on the first Business Day of each calendar month, commencing February 1, 2010. Interest on the remarketed 2002 Series B Bonds, 2002 Series C Bonds, 2005 Series D Bonds, and 2006 Series A Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2010.

From and after the Remarketing Date, the Offered Bonds will initially bear interest at a Weekly Rate, as described under “The Offered Bonds — General” and “— Description of the Offered Bonds.” **THIS REOFFERING STATEMENT IS ONLY INTENDED TO DESCRIBE OFFERED BONDS THAT ARE IN A WEEKLY MODE AND COVERED BY THE GSE CREDIT AND LIQUIDITY FACILITY.**

Barclays Capital will act as initial Remarketing Agent with respect to the remarketed Offered Bonds.

The Offered Bonds are being remarketed in denominations of \$100,000 principal amount or integral multiples of \$5,000 in excess of \$100,000. DTC holds the Offered Bonds in book-entry form. Purchasers will not receive certificates representing their interests in the Offered Bonds. Interest on and principal of the Offered Bonds are payable on behalf of the Agency by U.S. Bank National Association, as Trustee under the Indenture, to DTC, and upon tender under circumstances as described herein, by the Remarketing Agent or the Tender Agent, as the case may be, to DTC. So long as DTC or its nominee remains the registered owner of the Offered Bonds, disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the Beneficial Owners of the Offered Bonds is the responsibility of DTC Participants and Indirect Participants. See “The Offered Bonds — DTC and Book-Entry.”

The Offered Bonds are subject to mandatory tender and redemption prior to maturity. See “The Offered Bonds.”

The Offered Bonds are subject to optional and mandatory tender for purchase as described under “The Offered Bonds — Description of the Offered Bonds.”

The Offered Bonds are general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys. The Offered Bonds shall not be deemed to constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or the interest on the Offered Bonds.

Principal and interest due on the Offered Bonds is also payable from funds advanced under a GSE Credit and Liquidity Facility (as described herein) issued by Fannie Mae and the Federal Home Loan Mortgage Corporation (each, a “GSE” and collectively, the “GSEs”) in favor of the Trustee and the Tender Agent. In addition, Offered Bonds subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent (as described herein) will be purchased by the Tender Agent from funds advanced by the GSEs pursuant to the GSE Credit and Liquidity Facility. The GSEs’ obligations to make such advances to the Trustee or the Tender Agent upon the proper presentation of documents which conform to the terms and conditions of the GSE Credit and Liquidity Facility are absolute, unconditional and irrevocable. However, each GSE is only obligated for half of the amount of each such advance and the obligations of each GSE under the GSE Credit and Liquidity Facility are several and not joint obligations; if one GSE fails to perform its obligations under the GSE Credit and Liquidity Facility, the other GSE will not be liable or responsible for performing the obligations of such nonperforming GSE. The Agency is not responsible for any failure by the GSEs to advance funds to the Tender Agent for the purchase Offered Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the applicable Series Indenture. The GSE Credit and Liquidity Facility will terminate on December 23, 2012, unless earlier terminated. See “The Offered Bonds — GSE Credit and Liquidity Facility.”

THE GSEs’ OBLIGATIONS WITH RESPECT TO THE OFFERED BONDS ARE SOLELY AS PROVIDED IN THE GSE CREDIT AND LIQUIDITY FACILITY. THE OBLIGATIONS OF THE GSEs UNDER THE GSE CREDIT AND LIQUIDITY FACILITY ARE SEVERAL BUT NOT JOINT OBLIGATIONS OF EACH ENTITY, AND WILL NOT BE BACKED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA. THE OFFERED BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA, OR OF ANY AGENCY OR INSTRUMENTALITY THEREOF, OR OF THE GSEs. THE OFFERED BONDS ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA.

The Offered Bonds are reoffered subject to certain conditions precedent to the mandatory tender and remarketing thereof. The remarketed Offered Bonds are expected to be available for delivery through DTC in New York, New York on or about January 14, 2010.

Barclays Capital, as Remarketing Agent

December 23, 2009

MATURITY SCHEDULE

\$78,480,000 2000 Series A Bonds (AMT) (Variable Rate)

\$45,145,000 2000 Series A Term Bonds due February 1, 2026

\$33,335,000 2000 Series A Term Bonds due February 1, 2035

\$6,340,000 2000 Series B Bonds (Non-AMT) (Variable Rate)

\$6,340,000 2000 Series B Term Bonds due February 1, 2031

\$50,400,000 2000 Series C Bonds (AMT) (Variable Rate)

\$50,400,000 2000 Series C Term Bonds due February 1, 2033

\$14,625,000 2000 Series D Bonds (Non-AMT) (Variable Rate)

\$14,625,000 2000 Series D Term Bonds due February 1, 2031

\$25,080,000 2002 Series B Bonds (Non-AMT) (Variable Rate)

\$25,080,000 2002 Series B Term Bonds due February 1, 2035

\$29,920,000 2002 Series C Bonds (AMT) (Variable Rate)

\$13,730,000 2002 Series C Term Bonds due February 1, 2037

\$16,190,000 2002 Series C Term Bonds due August 1, 2037

\$31,460,000 2005 Series D Bonds (AMT) (Variable Rate)

\$31,460,000 2005 Series D Term Bonds due February 1, 2038

\$21,295,000 2006 Series A Bonds (AMT) (Variable Rate)

\$21,295,000 2006 Series A Term Bonds due February 1, 2041

\$8,955,000 2007 Series B Bonds (AMT) (Variable Rate)

\$8,955,000 2007 Series B Term Bonds due February 1, 2040

\$21,315,000 2007 Series C Bonds (AMT) (Variable Rate)

\$14,125,000 2007 Series C Term Bonds due August 1, 2040

\$7,190,000 2007 Series C Term Bonds due August 1, 2042

No dealer, broker, salesperson or other person has been authorized by the Agency or the Remarketing Agent to give any information or to make any representations, other than those contained in this Reoffering Statement (consisting of Part 1 and Part 2), and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offered Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and by other sources which are believed to be reliable. The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Statement. The Remarketing Agent has reviewed the information in this Reoffering Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Reoffering Statement nor any sale made pursuant hereto shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the GSEs since the date hereof.

Neither Fannie Mae nor the Federal Home Loan Mortgage Corporation (“Freddie Mac”) has provided or approved any information in this Reoffering Statement except Fannie Mae, with respect to the description under the caption “Fannie Mae,” and Freddie Mac, with respect to the description under the caption “Freddie Mac,” appearing in Appendix I to Part 1 of this Reoffering Statement, and Fannie Mae and Freddie Mac take no responsibility for any other information contained in this Reoffering Statement, and make no representation as to the contents of this Reoffering Statement (other than as to Fannie Mae, with respect to the description under the caption “Fannie Mae” and other than as to Freddie Mac, with respect to the description under the caption “Freddie Mac”). Without limiting the foregoing, neither Fannie Mae nor Freddie Mac makes any representation as to the suitability of the Offered Bonds for any investor, or compliance with any securities, tax or other laws or regulations. Fannie Mae’s and Freddie Mac’s role with respect to the Offered Bonds is limited to providing the GSE Credit and Liquidity Facility to the Trustee.

Part 1 and Part 2 of this Reoffering Statement, including their respective appendices, are to be read together, and together Part 1 and Part 2, including their respective appendices, constitute this Reoffering Statement.

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IN CONNECTION WITH THIS REMARKETING THE REMARKETING AGENT MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERED BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED ANY TIME.

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REOFFERING STATEMENT PART 1

\$287,870,000

CALIFORNIA HOUSING FINANCE AGENCY Multifamily Housing Revenue Bonds III

\$78,480,000 2000 Series A (AMT) (Variable Rate)
\$6,340,000 2000 Series B (Non-AMT) (Variable Rate)
\$50,400,000 2000 Series C (AMT) (Variable Rate)
\$14,625,000 2000 Series D (Non-AMT) (Variable Rate)
\$25,080,000 2002 Series B (Non-AMT) (Variable Rate)

\$29,920,000 2002 Series C (AMT) (Variable Rate)
\$31,460,000 2005 Series D (AMT) (Variable Rate)
\$21,295,000 2006 Series A (AMT) (Variable Rate)
\$8,955,000 2007 Series B (AMT) (Variable Rate)
\$21,315,000 2007 Series C (AMT) (Variable Rate)

This Reoffering Statement Part 1 (“Part 1”) provides information as of its date (*except* where otherwise expressly stated) concerning the Agency’s Offered Bonds. It contains only a part of the information to be provided by the Agency in connection with the remarketing of the Offered Bonds. Additional information concerning the Agency, security for the Bonds, certain Loan insurance programs, the Program, and the Agency’s other financing programs is contained in the Reoffering Statement Part 2 (“Part 2”) and is subject in all respects to the information contained herein.

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REOFFERING STATEMENT PART 1
of the
CALIFORNIA HOUSING FINANCE AGENCY
relating to
Multifamily Housing Revenue Bonds III

| | |
|---|---|
| \$78,480,000 2000 Series A (AMT) (Variable Rate) | \$29,920,000 2002 Series C (AMT) (Variable Rate) |
| \$6,340,000 2000 Series B (Non-AMT) (Variable Rate) | \$31,460,000 2005 Series D (AMT) (Variable Rate) |
| \$50,400,000 2000 Series C (AMT) (Variable Rate) | \$21,295,000 2006 Series A (AMT) (Variable Rate) |
| \$14,625,000 2000 Series D (Non-AMT) (Variable Rate) | \$8,955,000 2007 Series B (AMT) (Variable Rate) |
| \$25,080,000 2002 Series B (Non-AMT) (Variable Rate) | \$21,315,000 2007 Series C (AMT) (Variable Rate) |

INTRODUCTION

This Reoffering Statement consists of Part 1 and Part 2. The purpose of this Part 1, which includes the cover page to this Reoffering Statement, the cover page and inside front cover page to this Part 1, and the appendices to this Part 1, is to provide information concerning the California Housing Finance Agency (the “Agency”), its Multifamily Housing Revenue Bonds III Program (the “Program”), and the following series of its Multifamily Housing Revenue Bonds III (collectively, the “Offered Bonds”), together with certain related features:

| Bond Series Designation | Reoffered Principal Amount | Federal Tax Character of Interest | Interest Rate Character | Defined Term Used in this Reoffering Statement |
|------------------------------------|---|--|--|---|
| 2000 Series A | \$78,480,000 | AMT | Initially Variable Weekly Rate | “2000 Series A Bonds” |
| 2000 Series B | \$6,340,000 | Non-AMT | Initially Variable Weekly Rate | “2000 Series B Bonds”; together with the 2000 Series A Bonds, the “2000 Series AB Bonds” |
| 2000 Series C | \$50,400,000 | AMT | Initially Variable Weekly Rate | “2000 Series C Bonds” |
| 2000 Series D | \$14,625,000 | Non-AMT | Initially Variable Weekly Rate | “2000 Series D Bonds”; together with the 2000 Series C Bonds, the “2000 Series CD Bonds” |
| 2002 Series B | \$25,080,000 | Non-AMT | Initially Variable Weekly Rate | “2002 Series B Bonds” |
| 2002 Series C | \$29,920,000 | AMT | Initially Variable Weekly Rate | “2002 Series C Bonds”; together with the 2002 Series B Bonds, the “2002 Series BC Bonds” |
| 2005 Series D | \$31,460,000 | AMT | Initially Variable Weekly Rate | “2005 Series D Bonds” |
| 2006 Series A | \$21,295,000 | AMT | Initially Variable Weekly Rate | “2006 Series A Bonds” |
| 2007 Series B | \$8,955,000 | AMT | Initially Variable Weekly Rate | “2007 Series B Bonds” |
| 2007 Series C | \$21,315,000 | AMT | Initially Variable Weekly Rate | “2007 Series C Bonds” |

THIS REOFFERING STATEMENT IS ONLY INTENDED TO DESCRIBE OFFERED BONDS THAT ARE IN A WEEKLY MODE AND COVERED BY THE GSE CREDIT AND LIQUIDITY FACILITY (REFERRED TO BELOW).

The Agency issued the Offered Bonds pursuant to Parts 1 through 4 of Division 31 of the California Health and Safety Code (the “Act”), a resolution of the Board of Directors of the Agency (the “Board”), an Indenture, dated as of March 1, 1997, as amended by that certain Supplemental Indenture dated as of September 1, 2002 and that certain Supplemental Indenture dated as of December 1, 2003 (collectively, the “General Indenture”), by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), and as supplemented by (i) with respect to the 2000 Series AB Bonds, the 2000 Series AB Series Indenture, dated as of July 1, 2000, as amended (the “2000 Series AB Indenture”), (ii) with respect to the 2000 Series CD Bonds, the 2000 Series CD Series Indenture, dated as of November 1, 2000, as amended (the “2000 Series CD Indenture”), (iii) with respect to the 2002 Series BC Bonds, the 2002 Series BC Series Indenture, dated as of September 1, 2002, as amended (the “2002 Series BC Indenture”), (iv) with respect to the 2005 Series D Bonds, the 2005 Series D Series Indenture, dated as of November 1, 2005, as amended (the “2005 Series D Indenture”), (v) with respect to the 2006 Series A Bonds, the 2006 Series A Series Indenture, dated as of June 1, 2006, as amended (the “2006 Series A Indenture”), (vi) with respect to the 2007 Series B Bonds, the 2007 Series B Series Indenture, dated as of June 1, 2007, as amended (the “2007 Series B Indenture”), and (vii) with respect to the 2007 Series C Bonds, the 2007 Series C Series Indenture, dated as of October 1, 2007, as amended (the “2007 Series C Indenture”; the 2000 Series AB Indenture, 2000 Series CD Indenture, 2002 Series BC Indenture, 2005 Series D Indenture, 2006 Series A Indenture, 2007 Series B Indenture, and 2007 Series C Indenture each by and between the Agency and the Trustee, and each an “Offered Bonds Series Indenture”). All bonds outstanding under the General Indenture (including additional bonds that may hereafter be issued) are herein called “Bonds.” Each series of Bonds is issued pursuant to a Series Indenture. The General Indenture, collectively with all Series Indentures, is herein called the “Indenture.” Certain other capitalized terms used in this Reoffering Statement have the meanings specified in Appendix H to this Part 1 and in Part 2 “Summary of Certain Provisions of the Indenture — Certain Defined Terms.” Capitalized terms used in this Reoffering Statement and not otherwise defined have the meanings specified in the Indenture. All references to times in this Reoffering Statement, unless otherwise indicated, are to New York City time. PURSUANT TO THE RESPECTIVE OFFERED BONDS SERIES INDENTURES, FOR SO LONG AS THE BELOW-DEFINED GSE CREDIT AND LIQUIDITY FACILITY IS IN EFFECT WITH RESPECT TO THE OFFERED BONDS, THE BELOW-DEFINED GSES WILL BE CONSIDERED THE OWNER OF THE OFFERED BONDS FOR PURPOSES OF VOTING OR GIVING CONSENTS UNDER THE INDENTURE.

As of the date hereof, the Agency has issued Bonds (including the Offered Bonds) in the aggregate principal amount of \$2,002,540,000. As of January 1, 2010, there were Bonds Outstanding in the aggregate principal amount of \$1,098,820,000 (of which \$236,275,000 aggregate principal amount were fixed-rate bonds and \$862,545,000 aggregate principal amount were auction or other variable rate bonds). See Part 2 Appendix B — “Certain Agency Financial Information and Operating Data — Outstanding Indebtedness.” Except to the extent described in Part 2 “Security for the Bonds,” all Bonds (including the Offered Bonds) and any additional Multifamily Housing Revenue Bonds III (“Additional Bonds”) which may be issued under the

Indenture, will be parity obligations, equally and ratably secured under the Indenture. See Part 2 “Security for the Bonds — Additional Bonds.” The Bonds are general obligations of the Agency. See Part 2 “Security for the Bonds — General” and Part 2 “Certain Investor Considerations.”

The Offered Bonds will be remarketed on January 14, 2010 (the “Remarketing Date”), and from and after such date will bear interest as described under “The Offered Bonds,” in accordance with and pursuant to the provisions of the Indenture. From and after the Remarketing Date, the Offered Bonds will bear interest in a Weekly Mode. The Agency may elect to cause Offered Bonds to change to another Mode, to Convert Offered Bonds to Bonds bearing interest at Fixed Interest Rates, or to become Non-Liquidity Remarketed Bonds. In each such case and under other circumstances, the Offered Bonds will be subject to mandatory tender for purchase. See “The Offered Bonds — Description of the Offered Bonds — Mandatory Tender.” **THIS REOFFERING STATEMENT IS ONLY INTENDED TO DESCRIBE OFFERED BONDS THAT ARE IN A WEEKLY MODE AND COVERED BY THE GSE CREDIT AND LIQUIDITY FACILITY.** While in a Weekly Mode, the Offered Bonds are subject to optional tender by the Bondholders thereof under the circumstances set forth in the applicable Offered Bonds Series Indenture.

There will be a Liquidity Facility provided with respect to the Offered Bonds, which will be a Standby Irrevocable Temporary Credit and Liquidity Facility (the “GSE Credit and Liquidity Facility”), dated as of December 23, 2009, issued by Fannie Mae and Federal Home Loan Mortgage Corporation (each, a “GSE” and collectively, the “GSEs”), in favor of U.S. Bank National Association, as tender agent (the “Tender Agent”) and Trustee. With respect to each Series of the Offered Bonds, upon presentation by the Trustee of documents required by the GSE Credit and Liquidity Facility, and subject to the terms and conditions thereof, the GSEs will advance funds under the GSE Credit and Liquidity Facility to the Trustee with respect to the payment of (i) the principal amount of such Bonds (other than Bank Bonds) when due by reason of maturity, redemption, acceleration or defeasance; and (ii) up to (a) with respect to the 2000 Series AB Bonds, the 2000 Series CD Bonds, the 2007 Series B Bonds and the 2007 Series C Bonds, 34 days’ interest thereon and (b) with respect to the 2002 Series BC Bonds, the 2005 Series D Bonds and the 2006 Series A Bonds, 184 days’ interest thereon, computed at the rate provided in the GSE Credit and Liquidity Facility, in an amount sufficient to pay the interest on such Bonds (other than Bank Bonds) when due. The GSE Credit and Liquidity Facility will also provide for the advancement of funds by the GSEs to the Tender Agent for the purchase of tendered Offered Bonds of a Series that cannot be remarketed as provided in the related Series Indenture. The GSEs’ obligation to make all such advances to the Trustee or the Tender Agent upon the proper presentation of documents which conform to the terms and conditions of the GSE Credit and Liquidity Facility is absolute, unconditional and irrevocable. However, each GSE is only obligated for half of the amount of each such advance and the obligations of each GSE under the GSE Credit and Liquidity Facility are several and not joint obligations; if one GSE fails to perform its obligations under the GSE Credit and Liquidity Facility, the other GSE will not be liable or responsible for performing the obligations of such nonperforming GSE. See “The Offered Bonds — GSE Credit and Liquidity Facility — General.”

Upon the expiration of the GSE Credit and Liquidity Facility, the Offered Bonds will be subject to mandatory tender for purchase. See “The Offered Bonds — Description of the Offered Bonds — Mandatory Tender.”

Proceeds of Bonds issued under the Indenture financed Loans for the construction loan financing, acquisition/rehabilitation loan financing, bridge loan financing and permanent financing of certain multifamily rental developments consisting of five or more dwelling units. See Part 2 Appendix A — “Description of Developments and Loans Financed By or Expected to Be Financed By Prior Series Bonds.”

Descriptions of the Agency, the security for the Bonds, the Offered Bonds, the Program, and the Indenture are included in this Reoffering Statement. All summaries or descriptions in this Reoffering Statement of documents and agreements are qualified in their entirety by reference to such documents and agreements and all summaries in this Reoffering Statement of the Offered Bonds are qualified in their entirety by reference to the Indenture and the provisions with respect thereto included in the aforesaid documents and agreements, copies of which are available for inspection at the offices of the Agency or the Remarketing Agent listed on the cover page of this Reoffering Statement. The agreements of the Agency with the Holders of the Offered Bonds are fully set forth in the Indenture, and this Reoffering Statement is not to be construed as a contract with the purchasers of the Offered Bonds. Any statements made in this Reoffering Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

THE OFFERED BONDS

General

Offered Bonds will bear interest from their Remarketing Date at the Effective Rate determined by the Remarketing Agent. The Offered Bonds will mature on the dates and in the amounts set forth on the inside front cover page. The remarketed Offered Bonds will bear interest at a Weekly Rate. **THIS REOFFERING STATEMENT IS ONLY INTENDED TO DESCRIBE OFFERED BONDS THAT ARE IN A WEEKLY MODE AND COVERED BY THE GSE CREDIT AND LIQUIDITY FACILITY.** Interest on the Offered Bonds will be payable on the dates set forth on the cover page. Interest accrued on the Offered Bonds during a Weekly Mode Period will be computed on the basis of a 365-day year or 366-day year, as applicable, for the number of days actually elapsed. The Offered Bonds will be issuable in the denominations set forth on the cover page.

Any Holder of Offered Bonds in a Weekly Mode has the option of tendering such Bonds to the Tender Agent in accordance with the provisions of the Offered Bonds Series Indentures as set forth under “Description of the Offered Bonds” below. Pursuant to the GSE Credit and Liquidity Facility, the GSEs have the obligation to purchase, under certain conditions and from time to time, Offered Bonds in a Weekly Mode tendered or deemed tendered to the Tender Agent, which tendered Offered Bonds are not remarketed on the purchase date. For additional information with respect to the Offered Bonds, see also Appendix B to this Part 1.

No transfer or exchange of any Offered Bond will be required to be made during the five days preceding any date established by the Trustee for the selection of Offered Bonds for redemption.

The Offered Bonds are being reoffered only as fully registered bonds without coupons, in book-entry form only, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Offered Bonds. See “The Offered Bonds — DTC and Book-Entry.” U.S. Bank National Association is the Trustee.

Redemption Provisions

Mandatory Sinking Fund Redemption. The 2000 Series A Bonds maturing on February 1, 2026 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2025 at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-------------------------|------------------|-------------------------|
| February 1, 2010 | \$ 985,000 | February 1, 2018 | \$1,295,000 |
| August 1, 2010 | 1,005,000 | August 1, 2018 | 1,335,000 |
| February 1, 2011 | 1,030,000 | February 1, 2019 | 1,370,000 |
| August 1, 2011 | 1,065,000 | August 1, 2019 | 1,405,000 |
| February 1, 2012 | 1,095,000 | February 1, 2020 | 1,455,000 |
| August 1, 2012 | 1,125,000 | August 1, 2020 | 1,475,000 |
| February 1, 2013 | 1,000,000 | February 1, 2021 | 1,530,000 |
| August 1, 2013 | 1,015,000 | August 1, 2021 | 1,565,000 |
| February 1, 2014 | 1,050,000 | February 1, 2022 | 1,615,000 |
| August 1, 2014 | 1,080,000 | August 1, 2022 | 1,640,000 |
| February 1, 2015 | 1,110,000 | February 1, 2023 | 1,705,000 |
| August 1, 2015 | 1,140,000 | August 1, 2023 | 1,745,000 |
| February 1, 2016 | 1,165,000 | February 1, 2024 | 1,785,000 |
| August 1, 2016 | 1,200,000 | August 1, 2024 | 1,840,000 |
| February 1, 2017 | 1,230,000 | February 1, 2025 | 1,880,000 |
| August 1, 2017 | 1,275,000 | August 1, 2025 | 1,945,000 |

\$1,990,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2000 Series A Bonds maturing on February 1, 2035 are subject to mandatory redemption in part, by lot, on August 1, 2026, and on each February 1 and August 1 thereafter, to and including August 1, 2034 at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| August 1, 2026 | \$2,040,000 | February 1, 2031 | \$2,595,000 |
| February 1, 2027 | 2,110,000 | August 1, 2031 | 2,665,000 |
| August 1, 2027 | 2,150,000 | February 1, 2032 | 2,295,000 |
| February 1, 2028 | 2,215,000 | August 1, 2032 | 2,355,000 |
| August 1, 2028 | 2,270,000 | February 1, 2033 | 260,000 |
| February 1, 2029 | 2,340,000 | August 1, 2033 | 265,000 |
| August 1, 2029 | 2,395,000 | February 1, 2034 | 270,000 |
| February 1, 2030 | 2,470,000 | August 1, 2034 | 275,000 |
| August 1, 2030 | 2,530,000 | | |

\$1,835,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2000 Series B Bonds maturing on February 1, 2031 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2030 at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$200,000 | August 1, 2020 | \$45,000 |
| August 1, 2010 | 205,000 | February 1, 2021 | 50,000 |
| February 1, 2011 | 215,000 | August 1, 2021 | 60,000 |
| August 1, 2011 | 220,000 | February 1, 2022 | 55,000 |
| February 1, 2012 | 220,000 | August 1, 2022 | 60,000 |
| August 1, 2012 | 230,000 | February 1, 2023 | 55,000 |
| February 1, 2013 | 235,000 | August 1, 2023 | 60,000 |
| August 1, 2013 | 245,000 | February 1, 2024 | 65,000 |
| February 1, 2014 | 245,000 | August 1, 2024 | 60,000 |
| August 1, 2014 | 255,000 | February 1, 2025 | 65,000 |
| February 1, 2015 | 265,000 | August 1, 2025 | 70,000 |
| August 1, 2015 | 265,000 | February 1, 2026 | 65,000 |
| February 1, 2016 | 275,000 | August 1, 2026 | 75,000 |
| August 1, 2016 | 285,000 | February 1, 2027 | 70,000 |
| February 1, 2017 | 290,000 | August 1, 2027 | 75,000 |
| August 1, 2017 | 305,000 | February 1, 2028 | 75,000 |
| February 1, 2018 | 305,000 | August 1, 2028 | 50,000 |
| August 1, 2018 | 310,000 | February 1, 2029 | 60,000 |
| February 1, 2019 | 320,000 | August 1, 2029 | 55,000 |
| August 1, 2019 | 50,000 | February 1, 2030 | 60,000 |
| February 1, 2020 | 55,000 | August 1, 2030 | 60,000 |

\$55,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2000 Series C Bonds maturing on February 1, 2033 are subject to mandatory redemption in part, by lot, on August 1, 2011, and on each February 1 and August 1 thereafter, to and including August 1, 2028 at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| August 1, 2011 | \$ 785,000 | August 1, 2020 | \$ 1,400,000 |
| February 1, 2012 | 1,070,000 | February 1, 2021 | 1,435,000 |
| August 1, 2012 | 1,095,000 | August 1, 2021 | 1,465,000 |
| February 1, 2013 | 1,120,000 | February 1, 2022 | 1,500,000 |
| August 1, 2013 | 1,110,000 | August 1, 2022 | 1,530,000 |
| February 1, 2014 | 1,125,000 | February 1, 2023 | 1,565,000 |
| August 1, 2014 | 1,150,000 | August 1, 2023 | 1,600,000 |
| February 1, 2015 | 1,175,000 | February 1, 2024 | 1,635,000 |
| August 1, 2015 | 1,205,000 | August 1, 2024 | 1,670,000 |
| February 1, 2016 | 1,230,000 | February 1, 2025 | 1,710,000 |
| August 1, 2016 | 1,175,000 | August 1, 2025 | 1,745,000 |
| February 1, 2017 | 1,205,000 | February 1, 2026 | 1,785,000 |
| August 1, 2017 | 1,230,000 | August 1, 2026 | 1,825,000 |
| February 1, 2018 | 1,255,000 | February 1, 2027 | 1,865,000 |
| August 1, 2018 | 1,285,000 | August 1, 2027 | 1,905,000 |
| February 1, 2019 | 1,315,000 | February 1, 2028 | 1,950,000 |
| August 1, 2019 | 1,340,000 | August 1, 2028 | 1,990,000 |
| February 1, 2020 | 1,370,000 | February 1, 2029 | 585,000 |

\$0 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2000 Series D Bonds maturing on February 1, 2031 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2030 at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$280,000 | August 1, 2020 | \$310,000 |
| August 1, 2010 | 285,000 | February 1, 2021 | 320,000 |
| February 1, 2011 | 290,000 | August 1, 2021 | 325,000 |
| August 1, 2011 | 295,000 | February 1, 2022 | 335,000 |
| February 1, 2012 | 305,000 | August 1, 2022 | 340,000 |
| August 1, 2012 | 310,000 | February 1, 2023 | 350,000 |
| February 1, 2013 | 315,000 | August 1, 2023 | 355,000 |
| August 1, 2013 | 325,000 | February 1, 2024 | 365,000 |
| February 1, 2014 | 330,000 | August 1, 2024 | 370,000 |
| August 1, 2014 | 340,000 | February 1, 2025 | 380,000 |
| February 1, 2015 | 345,000 | August 1, 2025 | 390,000 |
| August 1, 2015 | 355,000 | February 1, 2026 | 395,000 |
| February 1, 2016 | 275,000 | August 1, 2026 | 405,000 |
| August 1, 2016 | 260,000 | February 1, 2027 | 415,000 |
| February 1, 2017 | 265,000 | August 1, 2027 | 425,000 |
| August 1, 2017 | 275,000 | February 1, 2028 | 435,000 |
| February 1, 2018 | 280,000 | August 1, 2028 | 440,000 |
| August 1, 2018 | 285,000 | February 1, 2029 | 450,000 |
| February 1, 2019 | 290,000 | August 1, 2029 | 460,000 |
| August 1, 2019 | 300,000 | February 1, 2030 | 475,000 |
| February 1, 2020 | 305,000 | August 1, 2030 | 435,000 |

\$140,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2002 Series B Bonds maturing February 1, 2035 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2034, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$410,000 | August 1, 2022 | \$645,000 |
| August 1, 2010 | 415,000 | February 1, 2023 | 655,000 |
| February 1, 2011 | 425,000 | August 1, 2023 | 670,000 |
| August 1, 2011 | 435,000 | February 1, 2024 | 685,000 |
| February 1, 2012 | 445,000 | August 1, 2024 | 440,000 |
| August 1, 2012 | 455,000 | February 1, 2025 | 405,000 |
| February 1, 2013 | 465,000 | August 1, 2025 | 410,000 |
| August 1, 2013 | 470,000 | February 1, 2026 | 420,000 |
| February 1, 2014 | 480,000 | August 1, 2026 | 430,000 |
| August 1, 2014 | 495,000 | February 1, 2027 | 435,000 |
| February 1, 2015 | 505,000 | August 1, 2027 | 445,000 |
| August 1, 2015 | 510,000 | February 1, 2028 | 455,000 |
| February 1, 2016 | 520,000 | August 1, 2028 | 460,000 |
| August 1, 2016 | 535,000 | February 1, 2029 | 470,000 |
| February 1, 2017 | 545,000 | August 1, 2029 | 485,000 |
| August 1, 2017 | 555,000 | February 1, 2030 | 495,000 |
| February 1, 2018 | 565,000 | August 1, 2030 | 500,000 |
| August 1, 2018 | 580,000 | February 1, 2031 | 515,000 |
| February 1, 2019 | 595,000 | August 1, 2031 | 520,000 |
| August 1, 2019 | 600,000 | February 1, 2032 | 535,000 |
| February 1, 2020 | 585,000 | August 1, 2032 | 545,000 |
| August 1, 2020 | 595,000 | February 1, 2033 | 555,000 |
| February 1, 2021 | 610,000 | August 1, 2033 | 500,000 |
| August 1, 2021 | 620,000 | February 1, 2034 | 165,000 |
| February 1, 2022 | 630,000 | August 1, 2034 | 165,000 |

\$30,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2002 Series C Bonds maturing February 1, 2037 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2036, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$130,000 | August 1, 2023 | \$235,000 |
| August 1, 2010 | 130,000 | February 1, 2024 | 240,000 |
| February 1, 2011 | 135,000 | August 1, 2024 | 245,000 |
| August 1, 2011 | 135,000 | February 1, 2025 | 250,000 |
| February 1, 2012 | 140,000 | August 1, 2025 | 255,000 |
| August 1, 2012 | 145,000 | February 1, 2026 | 260,000 |
| February 1, 2013 | 145,000 | August 1, 2026 | 270,000 |
| August 1, 2013 | 150,000 | February 1, 2027 | 275,000 |
| February 1, 2014 | 155,000 | August 1, 2027 | 280,000 |
| August 1, 2014 | 155,000 | February 1, 2028 | 285,000 |
| February 1, 2015 | 160,000 | August 1, 2028 | 295,000 |
| August 1, 2015 | 165,000 | February 1, 2029 | 300,000 |
| February 1, 2016 | 170,000 | August 1, 2029 | 305,000 |
| August 1, 2016 | 170,000 | February 1, 2030 | 315,000 |
| February 1, 2017 | 175,000 | August 1, 2030 | 320,000 |
| August 1, 2017 | 180,000 | February 1, 2031 | 330,000 |
| February 1, 2018 | 185,000 | August 1, 2031 | 335,000 |
| August 1, 2018 | 190,000 | February 1, 2032 | 345,000 |
| February 1, 2019 | 190,000 | August 1, 2032 | 350,000 |
| August 1, 2019 | 195,000 | February 1, 2033 | 360,000 |
| February 1, 2020 | 200,000 | August 1, 2033 | 365,000 |
| August 1, 2020 | 205,000 | February 1, 2034 | 375,000 |
| February 1, 2021 | 210,000 | August 1, 2034 | 385,000 |
| August 1, 2021 | 215,000 | February 1, 2035 | 390,000 |
| February 1, 2022 | 220,000 | August 1, 2035 | 400,000 |
| August 1, 2022 | 225,000 | February 1, 2036 | 410,000 |
| February 1, 2023 | 230,000 | August 1, 2036 | 420,000 |

\$430,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2002 Series C Bonds maturing August 1, 2037 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including February 1, 2037, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$160,000 | February 1, 2024 | \$305,000 |
| August 1, 2010 | 165,000 | August 1, 2024 | 310,000 |
| February 1, 2011 | 170,000 | February 1, 2025 | 320,000 |
| August 1, 2011 | 170,000 | August 1, 2025 | 325,000 |
| February 1, 2012 | 175,000 | February 1, 2026 | 335,000 |
| August 1, 2012 | 180,000 | August 1, 2026 | 340,000 |
| February 1, 2013 | 185,000 | February 1, 2027 | 350,000 |
| August 1, 2013 | 190,000 | August 1, 2027 | 355,000 |
| February 1, 2014 | 190,000 | February 1, 2028 | 365,000 |
| August 1, 2014 | 195,000 | August 1, 2028 | 375,000 |
| February 1, 2015 | 200,000 | February 1, 2029 | 385,000 |
| August 1, 2015 | 205,000 | August 1, 2029 | 390,000 |
| February 1, 2016 | 210,000 | February 1, 2030 | 400,000 |
| August 1, 2016 | 215,000 | August 1, 2030 | 410,000 |
| February 1, 2017 | 220,000 | February 1, 2031 | 420,000 |
| August 1, 2017 | 225,000 | August 1, 2031 | 430,000 |
| February 1, 2018 | 230,000 | February 1, 2032 | 440,000 |
| August 1, 2018 | 235,000 | August 1, 2032 | 450,000 |
| February 1, 2019 | 240,000 | February 1, 2033 | 460,000 |
| August 1, 2019 | 245,000 | August 1, 2033 | 470,000 |
| February 1, 2020 | 255,000 | February 1, 2034 | 480,000 |
| August 1, 2020 | 260,000 | August 1, 2034 | 495,000 |
| February 1, 2021 | 265,000 | February 1, 2035 | 300,000 |
| August 1, 2021 | 270,000 | August 1, 2035 | 205,000 |
| February 1, 2022 | 280,000 | February 1, 2036 | 210,000 |
| August 1, 2022 | 285,000 | August 1, 2036 | 215,000 |
| February 1, 2023 | 290,000 | February 1, 2037 | 220,000 |
| August 1, 2023 | 295,000 | | |

\$225,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2005 Series D Bonds maturing February 1, 2038 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2037, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$ 400,000 | February 1, 2024 | \$ 920,000 |
| August 1, 2010 | 410,000 | August 1, 2024 | 950,000 |
| February 1, 2011 | 420,000 | February 1, 2025 | 980,000 |
| August 1, 2011 | 430,000 | August 1, 2025 | 1,000,000 |
| February 1, 2012 | 450,000 | February 1, 2026 | 1,040,000 |
| August 1, 2012 | 460,000 | August 1, 2026 | 1,040,000 |
| February 1, 2013 | 480,000 | February 1, 2027 | 1,020,000 |
| August 1, 2013 | 490,000 | August 1, 2027 | 610,000 |
| February 1, 2014 | 500,000 | February 1, 2028 | 250,000 |
| August 1, 2014 | 520,000 | August 1, 2028 | 250,000 |
| February 1, 2015 | 540,000 | February 1, 2029 | 250,000 |
| August 1, 2015 | 550,000 | August 1, 2029 | 260,000 |
| February 1, 2016 | 570,000 | February 1, 2030 | 270,000 |
| August 1, 2016 | 590,000 | August 1, 2030 | 280,000 |
| February 1, 2017 | 600,000 | February 1, 2031 | 290,000 |
| August 1, 2017 | 620,000 | August 1, 2031 | 300,000 |
| February 1, 2018 | 640,000 | February 1, 2032 | 300,000 |
| August 1, 2018 | 660,000 | August 1, 2032 | 310,000 |
| February 1, 2019 | 680,000 | February 1, 2033 | 320,000 |
| August 1, 2019 | 700,000 | August 1, 2033 | 330,000 |
| February 1, 2020 | 720,000 | February 1, 2034 | 340,000 |
| August 1, 2020 | 750,000 | August 1, 2034 | 350,000 |
| February 1, 2021 | 770,000 | February 1, 2035 | 360,000 |
| August 1, 2021 | 790,000 | August 1, 2035 | 370,000 |
| February 1, 2022 | 820,000 | February 1, 2036 | 390,000 |
| August 1, 2022 | 840,000 | August 1, 2036 | 400,000 |
| February 1, 2023 | 870,000 | February 1, 2037 | 410,000 |
| August 1, 2023 | 890,000 | August 1, 2037 | 420,000 |

\$290,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2006 Series A Bonds maturing February 1, 2041 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2040, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$315,000 | August 1, 2025 | \$295,000 |
| August 1, 2010 | 315,000 | February 1, 2026 | 305,000 |
| February 1, 2011 | 320,000 | August 1, 2026 | 315,000 |
| August 1, 2011 | 335,000 | February 1, 2027 | 320,000 |
| February 1, 2012 | 340,000 | August 1, 2027 | 235,000 |
| August 1, 2012 | 340,000 | February 1, 2028 | 220,000 |
| February 1, 2013 | 350,000 | August 1, 2028 | 225,000 |
| August 1, 2013 | 365,000 | February 1, 2029 | 240,000 |
| February 1, 2014 | 375,000 | August 1, 2029 | 240,000 |
| August 1, 2014 | 390,000 | February 1, 2030 | 245,000 |
| February 1, 2015 | 395,000 | August 1, 2030 | 245,000 |
| August 1, 2015 | 415,000 | February 1, 2031 | 260,000 |
| February 1, 2016 | 415,000 | August 1, 2031 | 260,000 |
| August 1, 2016 | 440,000 | February 1, 2032 | 265,000 |
| February 1, 2017 | 450,000 | August 1, 2032 | 275,000 |
| August 1, 2017 | 460,000 | February 1, 2033 | 280,000 |
| February 1, 2018 | 470,000 | August 1, 2033 | 290,000 |
| August 1, 2018 | 485,000 | February 1, 2034 | 265,000 |
| February 1, 2019 | 475,000 | August 1, 2034 | 245,000 |
| August 1, 2019 | 395,000 | February 1, 2035 | 255,000 |
| February 1, 2020 | 380,000 | August 1, 2035 | 255,000 |
| August 1, 2020 | 395,000 | February 1, 2036 | 265,000 |
| February 1, 2021 | 405,000 | August 1, 2036 | 270,000 |
| August 1, 2021 | 405,000 | February 1, 2037 | 275,000 |
| February 1, 2022 | 420,000 | August 1, 2037 | 285,000 |
| August 1, 2022 | 425,000 | February 1, 2038 | 295,000 |
| February 1, 2023 | 440,000 | August 1, 2038 | 300,000 |
| August 1, 2023 | 315,000 | February 1, 2039 | 310,000 |
| February 1, 2024 | 290,000 | August 1, 2039 | 105,000 |
| August 1, 2024 | 280,000 | February 1, 2040 | 70,000 |
| February 1, 2025 | 290,000 | August 1, 2040 | 75,000 |

\$1,620,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2007 Series B Bonds maturing February 1, 2040 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including August 1, 2039, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$120,000 | February 1, 2025 | \$ 85,000 |
| August 1, 2010 | 150,000 | August 1, 2025 | 85,000 |
| February 1, 2011 | 155,000 | February 1, 2026 | 90,000 |
| August 1, 2011 | 155,000 | August 1, 2026 | 90,000 |
| February 1, 2012 | 170,000 | February 1, 2027 | 90,000 |
| August 1, 2012 | 175,000 | August 1, 2027 | 95,000 |
| February 1, 2013 | 175,000 | February 1, 2028 | 100,000 |
| August 1, 2013 | 175,000 | August 1, 2028 | 105,000 |
| February 1, 2014 | 185,000 | February 1, 2029 | 105,000 |
| August 1, 2014 | 190,000 | August 1, 2029 | 105,000 |
| February 1, 2015 | 195,000 | February 1, 2030 | 110,000 |
| August 1, 2015 | 200,000 | August 1, 2030 | 110,000 |
| February 1, 2016 | 205,000 | February 1, 2031 | 115,000 |
| August 1, 2016 | 205,000 | August 1, 2031 | 115,000 |
| February 1, 2017 | 215,000 | February 1, 2032 | 120,000 |
| August 1, 2017 | 220,000 | August 1, 2032 | 120,000 |
| February 1, 2018 | 230,000 | February 1, 2033 | 130,000 |
| August 1, 2018 | 235,000 | August 1, 2033 | 130,000 |
| February 1, 2019 | 235,000 | February 1, 2034 | 135,000 |
| August 1, 2019 | 250,000 | August 1, 2034 | 135,000 |
| February 1, 2020 | 230,000 | February 1, 2035 | 140,000 |
| August 1, 2020 | 210,000 | August 1, 2035 | 145,000 |
| February 1, 2021 | 215,000 | February 1, 2036 | 145,000 |
| August 1, 2021 | 215,000 | August 1, 2036 | 155,000 |
| February 1, 2022 | 100,000 | February 1, 2037 | 155,000 |
| August 1, 2022 | 75,000 | August 1, 2037 | 160,000 |
| February 1, 2023 | 80,000 | February 1, 2038 | 165,000 |
| August 1, 2023 | 80,000 | August 1, 2038 | 165,000 |
| February 1, 2024 | 80,000 | February 1, 2039 | 145,000 |
| August 1, 2024 | 85,000 | August 1, 2039 | 145,000 |

\$55,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2007 Series C Bonds maturing August 1, 2040 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including February 1, 2040, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$ 45,000 | August 1, 2025 | \$220,000 |
| August 1, 2010 | 55,000 | February 1, 2026 | 225,000 |
| February 1, 2011 | 95,000 | August 1, 2026 | 230,000 |
| August 1, 2011 | 100,000 | February 1, 2027 | 235,000 |
| February 1, 2012 | 105,000 | August 1, 2027 | 240,000 |
| August 1, 2012 | 115,000 | February 1, 2028 | 245,000 |
| February 1, 2013 | 115,000 | August 1, 2028 | 260,000 |
| August 1, 2013 | 115,000 | February 1, 2029 | 260,000 |
| February 1, 2014 | 120,000 | August 1, 2029 | 270,000 |
| August 1, 2014 | 120,000 | February 1, 2030 | 275,000 |
| February 1, 2015 | 120,000 | August 1, 2030 | 280,000 |
| August 1, 2015 | 130,000 | February 1, 2031 | 285,000 |
| February 1, 2016 | 135,000 | August 1, 2031 | 300,000 |
| August 1, 2016 | 135,000 | February 1, 2032 | 310,000 |
| February 1, 2017 | 135,000 | August 1, 2032 | 310,000 |
| August 1, 2017 | 140,000 | February 1, 2033 | 325,000 |
| February 1, 2018 | 145,000 | August 1, 2033 | 335,000 |
| August 1, 2018 | 150,000 | February 1, 2034 | 340,000 |
| February 1, 2019 | 160,000 | August 1, 2034 | 350,000 |
| August 1, 2019 | 160,000 | February 1, 2035 | 360,000 |
| February 1, 2020 | 165,000 | August 1, 2035 | 370,000 |
| August 1, 2020 | 170,000 | February 1, 2036 | 375,000 |
| February 1, 2021 | 170,000 | August 1, 2036 | 380,000 |
| August 1, 2021 | 175,000 | February 1, 2037 | 395,000 |
| February 1, 2022 | 190,000 | August 1, 2037 | 410,000 |
| August 1, 2022 | 190,000 | February 1, 2038 | 420,000 |
| February 1, 2023 | 190,000 | August 1, 2038 | 430,000 |
| August 1, 2023 | 200,000 | February 1, 2039 | 440,000 |
| February 1, 2024 | 205,000 | August 1, 2039 | 340,000 |
| August 1, 2024 | 210,000 | February 1, 2040 | 245,000 |
| February 1, 2025 | 210,000 | | |

\$195,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

The 2007 Series C Bonds maturing August 1, 2042 are subject to mandatory redemption in part, by lot, on February 1, 2010, and on each February 1 and August 1 thereafter, to and including February 1, 2042, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Bond Account as follows:

| <u>Date</u> | <u>Principal Amount</u> | <u>Date</u> | <u>Principal Amount</u> |
|------------------|-----------------------------|------------------|-----------------------------|
| February 1, 2010 | \$115,000 | August 1, 2026 | \$ 30,000 |
| August 1, 2010 | 120,000 | February 1, 2027 | 30,000 |
| February 1, 2011 | 125,000 | August 1, 2027 | 30,000 |
| August 1, 2011 | 130,000 | February 1, 2028 | 30,000 |
| February 1, 2012 | 130,000 | August 1, 2028 | 30,000 |
| August 1, 2012 | 130,000 | February 1, 2029 | 30,000 |
| February 1, 2013 | 140,000 | August 1, 2029 | 35,000 |
| August 1, 2013 | 135,000 | February 1, 2030 | 35,000 |
| February 1, 2014 | 145,000 | August 1, 2030 | 30,000 |
| August 1, 2014 | 155,000 | February 1, 2031 | 40,000 |
| February 1, 2015 | 150,000 | August 1, 2031 | 35,000 |
| August 1, 2015 | 100,000 | February 1, 2032 | 40,000 |
| February 1, 2016 | 90,000 | August 1, 2032 | 40,000 |
| August 1, 2016 | 100,000 | February 1, 2033 | 40,000 |
| February 1, 2017 | 100,000 | August 1, 2033 | 40,000 |
| August 1, 2017 | 100,000 | February 1, 2034 | 45,000 |
| February 1, 2018 | 90,000 | August 1, 2034 | 45,000 |
| August 1, 2018 | 80,000 | February 1, 2035 | 40,000 |
| February 1, 2019 | 75,000 | August 1, 2035 | 50,000 |
| August 1, 2019 | 80,000 | February 1, 2036 | 50,000 |
| February 1, 2020 | 80,000 | August 1, 2036 | 50,000 |
| August 1, 2020 | 90,000 | February 1, 2037 | 50,000 |
| February 1, 2021 | 85,000 | August 1, 2037 | 50,000 |
| August 1, 2021 | 85,000 | February 1, 2038 | 60,000 |
| February 1, 2022 | 85,000 | August 1, 2038 | 55,000 |
| August 1, 2022 | 50,000 | February 1, 2039 | 55,000 |
| February 1, 2023 | 45,000 | August 1, 2039 | 60,000 |
| August 1, 2023 | 20,000 | February 1, 2040 | 60,000 |
| February 1, 2024 | 25,000 | August 1, 2040 | 65,000 |
| August 1, 2024 | 25,000 | February 1, 2041 | 60,000 |
| February 1, 2025 | 25,000 | August 1, 2041 | 70,000 |
| August 1, 2025 | 25,000 | February 1, 2042 | 65,000 |
| February 1, 2026 | 25,000 | | |

\$2,790,000 principal amount of such Bonds is scheduled to remain to be paid at maturity.

Optional Redemption. Prior to their Conversion, the Offered Bonds are subject to redemption, at the option of the Agency, from any available moneys, in whole or in part, on any Effective Rate Date, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption. Optional redemption of the Offered Bonds shall be conditioned upon the Trustee's receipt of available funds in an amount sufficient to pay the redemption price of such Offered Bonds on or prior to the date fixed for redemption.

Selection of Offered Bonds to be Redeemed

If less than all of a maturity of a Series of the Offered Bonds is to be redeemed, the particular Offered Bonds of such Series and maturity or the respective portions thereof to be redeemed shall be selected by lot in such manner as the Trustee in its discretion may deem proper; *provided, however*, that the Trustee shall select for redemption first any Bank Bonds of such Series and maturity, if any, and second the remaining Offered Bonds of such Series and maturity.

Notice of Redemption

When the Trustee shall be required or authorized or shall receive notice from the Agency of its election to redeem Bonds, the Trustee shall, in accordance with the terms and provisions of the Bonds and the Indenture, select the Bonds to be redeemed and shall give notice, in the name of the Agency, of the redemption of the Bonds. Each such notice shall state the date of such notice, the complete official name of the Bonds (including Series designation) to be redeemed, the Issue Date, maturity dates, interest rates and CUSIP numbers (if any) of such Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee or the Paying Agent) and, if less than all of the Bonds of any Series are being redeemed, the numbers of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall further state that on the date fixed for redemption there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the portion of the principal thereof to be redeemed in the case of a Bond to be redeemed in part only, together with interest accrued to such date, and that from and after such date interest thereon shall cease to accrue and be payable. Each such notice may state that such notice may be rescinded.

Such notice shall be given by mailing a copy of such notice, postage prepaid, not less than 15 days nor more than sixty 60 days before such redemption date, (1) by first class mail to the registered owner of any Bond all or a portion of which is to be redeemed, at such owner's last address, if any, appearing upon the registry books; and (2) by certified mail, return receipt requested, (i) upon written request of any registered owner of \$1,000,000 or more in aggregate principal amount of any Series of Bonds, each such request directed to the Trustee, (ii) to two or more Information Services, as defined in the Indenture, (iii) to the Securities Depositories, as defined in the Indenture, and (iv) to each Credit Provider. A second notice shall be given by certified mail, return receipt requested, to any registered owner of Bonds being redeemed if such registered owner has not surrendered such Bonds for redemption on or before the date sixty (60) days after the date fixed for redemption.

Failure by the Trustee to give any notice as described above, or the insufficiency of any such notice, shall not affect the sufficiency of the proceedings for redemption.

Description of the Offered Bonds

See Appendix H to this Part 1 for the definitions of certain capitalized terms with respect to the Offered Bonds.

Interest on the Offered Bonds. On the Remarketing Date, the Offered Bonds will bear interest at the Weekly Rate determined in advance by the Remarketing Agent. Thereafter, Offered Bonds will bear interest, commencing on the Effective Rate Date (for Offered Bonds while in the Weekly Mode, each Thursday), at the Weekly Rate determined by the Remarketing Agent for the new Effective Rate Period (except Bank Bonds, which will bear interest at the Bank Interest Rate). In no event will the interest rate borne by the Offered Bonds exceed the Maximum Rate.

The Weekly Rate will be the lowest rate which, in the determination of the Remarketing Agent, would result as nearly as practicable in the market value of the Offered Bonds on the applicable Effective Rate Date being 100% of the principal amount thereof, and which shall not exceed the Maximum Rate.

The Remarketing Agent, in determining the Effective Rate for any Offered Bonds, shall take into account to the extent applicable (1) market interest rates for comparable securities held by tax-exempt open-end municipal bond funds or other institutional or private investors with substantial portfolios (a) with interest rate adjustment periods and demand purchase options substantially identical to such Offered Bonds, (b) bearing interest at a variable rate intended to maintain par value, and (c) rated by a national credit rating agency in the same category as such Offered Bonds; (2) other financial market rates and indices that may have a bearing on the Effective Rate (including, but not limited to, rates borne by commercial paper, Treasury Bills, commercial bank prime rates, certificate of deposit rates, federal fund rates, the London Interbank Offered Rates, indices maintained by *The Bond Buyer*, and other publicly available tax-exempt or taxable (as applicable) interest rate indices); (3) general financial market conditions; and (4) factors particular to the Agency and such Offered Bonds.

The determination by the Remarketing Agent of the Weekly Rate to be borne by the Offered Bonds (other than Bank Bonds, which will bear interest at the Bank Interest Rate) will be conclusive and binding on the Holders of such Offered Bonds and the other Notice Parties except as provided in the Indenture. Failure by the Remarketing Agent or the Trustee to give any notice required under the Indenture, or any defect in such notice, shall not affect the interest rate borne by the Offered Bonds or the rights of the Holders thereof.

The Remarketing Agent may resign from its duties as Remarketing Agent with 60 days' prior written notice to the Agency, the Trustee, the Tender Agent and the GSEs, and the Agency may remove the Remarketing Agent upon providing it with 30 days' prior written notice. During the term of the GSE Credit and Liquidity Facility, the Remarketing Agreement requires, as a condition to the effectiveness of any such resignation or removal, provided the GSEs have not failed to perform their obligations under the GSE Credit and Liquidity Facility, that a replacement Remarketing Agent be in place.

If for any reason the position of Remarketing Agent is vacant or the Remarketing Agent fails to act, the Offered Bonds will automatically bear interest in a Weekly Mode Period with the interest rate reset on a weekly basis at the lesser of (i) the SIFMA Index plus 0.25% or (ii) the Maximum Rate.

Optional Tender. Holders of the Offered Bonds in a Weekly Mode may elect to tender their Offered Bonds for purchase by providing written notice to the Remarketing Agent not later than 5:00 P.M. Eastern time on any Business Day that is at least seven calendar days before the purchase date, which must be a Business Day and must be set forth in such tender notice. Such Offered Bonds will be purchased on the purchase date specified in the tender notice at a price equal to 100% of the principal amount thereof plus accrued interest. Such notice of optional tender for purchase of Offered Bonds by the Holders thereof will be irrevocable once such notice is given to the Remarketing Agent (in which event the Remarketing Agent shall promptly notify the Tender Agent of receipt of such notice).

The Offered Bonds will be subject to mandatory tender for purchase as described below.

Agency Not Responsible For GSEs' Failure to Purchase Liquidity Facility Bonds. Under the terms and provisions of the Remarketing Agreement and the GSE Credit and Liquidity Facility, the purchase price of Offered Bonds in a Weekly Mode in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of such Bonds or from the GSE Credit and Liquidity Facility. **The Agency is *not* responsible for any failure by the GSEs to advance funds for the purchase of Bonds tendered at the option of the Holder or subject to mandatory tender for purchase pursuant to the applicable Offered Bonds Series Indenture. Failure by the GSEs to advance such funds for the purchase of a Bond tendered at the option of the Holder or subject to mandatory tender for purchase as described herein and in accordance with the applicable Offered Bonds Series Indenture does not constitute an Event of Default under the Indenture.**

In the event of a failure by the GSEs to advance funds for the purchase of any Offered Bonds tendered or deemed tendered for purchase by the Holders thereof, such Bonds will automatically bear interest at the Maximum Rate. The Bondholder will not have the right to tender such Bond during such period and may be required to hold such Bond to its maturity or prior redemption.

Mandatory Tender. The Offered Bonds or a portion thereof, as applicable, are subject to mandatory tender for purchase (with no right to retain) (i) on each Mode Change Date and, with respect to each Series of the Offered Bonds except the 2000 Series AB Bonds, the 2000 Series CD Bonds, and the 2002 Series BC Bonds, each Non-Liquidity Remarketed Bonds Change Date for each such Series of Offered Bonds, (ii) on a date not less than 5 Business Days prior to the scheduled expiration or earlier termination (including in connection with the delivery of an Alternate Liquidity Facility as described in the Indenture) of the GSE Credit and Liquidity Facility, (iii) on any Conversion Date for each Series of Offered Bonds, and (iv) on the later of (a) 2 Business Days after receipt by the Trustee of notice from the GSEs stating that an event of default under the below-defined Reimbursement Agreement has occurred and directing that the Offered Bonds be subject to mandatory tender, or (b) the Business Day specified in such notice (each a "Mandatory Tender Date"), at a purchase price equal to 100% of the principal amount thereof plus accrued interest. Upon any such event, the Trustee shall deliver a notice of mandatory tender to Holders at least 15 days (or in the case of a Mandatory Tender Date described in clause (iv) above, the lesser of 15 days or the greatest number of days possible) prior to the date of mandatory tender stating the reason for the mandatory tender, the date of

mandatory tender, and that all Holders of Offered Bonds subject to such mandatory tender shall be deemed to have tendered their Offered Bonds upon such date.

Remarketing. On each date on which Offered Bonds are required to be purchased, the Remarketing Agent shall use its best efforts as described herein to sell such Bonds at an Effective Rate that results as nearly as practicable in the price being 100% of the principal amount thereof. In the event the Remarketing Agent is unable to remarket any Offered Bonds in a Weekly Mode so tendered, the GSEs will advance funds for the purchase of such Bonds in accordance with the GSE Credit and Liquidity Facility. See “The Offered Bonds — GSE Credit and Liquidity Facility.”

This paragraph is applicable only if the book-entry system has been discontinued and replacement bonds have been issued or if DTC has exercised its option to surrender and exchange its Offered Bond certificates. Any Offered Bond not tendered and delivered to the Tender Agent on or prior to its Mandatory Tender Date (“Untendered Bonds”), for which there have been irrevocably deposited in trust with the Trustee the purchase price equal to the principal amount of such Offered Bonds plus accrued interest shall be deemed to have been tendered and purchased on such Mandatory Tender Date. Holders of Untendered Bonds shall not be entitled to any payment (including any interest to accrue on or after the Mandatory Tender Date) other than the principal amount of such Untendered Bonds, plus accrued interest to the day preceding the Mandatory Tender Date, and said Holders shall no longer be entitled to the benefits of the Indenture, except for the purpose of payment of the purchase price. Bond certificates will be issued in place of Untendered Bonds pursuant to the Indenture and, after the issuance of the replacement Offered Bond certificates, such Untendered Bonds will be deemed purchased, canceled, and no longer Outstanding under the Indenture.

Conversion to Fixed Interest Rates. Each Offered Bonds Series Indenture provides that the Agency has the option to Convert all or a portion of the Offered Bonds on any Effective Rate Date to Fixed Interest Rates, in accordance with the Indenture. Prior to the Conversion of any of the Offered Bonds, the Trustee must deliver a notice to the Holders thereof specifying the proposed Conversion Date, which Date shall be not less than 15 days following the delivery of such notice. No Fixed Interest Rate shall be established unless, on or before the Conversion Date, a Counsel’s Opinion has been delivered to the Trustee to the effect that the Conversion is in accordance with the provisions of and is permitted by the applicable Offered Bonds Series Indenture, is lawful under the Act, and, as applicable, will not adversely affect any exclusion of interest on such Converted Bonds from gross income for federal income tax purposes. Unless and until such conditions for Conversion are satisfied, the Offered Bonds shall continue to bear interest at the Effective Rate, subject to the last sentence of this paragraph. Upon any Conversion, the Offered Bonds will be subject to mandatory tender for purchase; provided that, in the event of a failed or cancelled Conversion of any Offered Bonds, such Bonds shall be retained by the Holders thereof and will bear interest in a Weekly Mode Period.

The Agency may elect to cancel such Conversion. If the Agency elects not to proceed with such Conversion, the Agency will give notice to the Notice Parties and the Trustee will give notice to the Holders of the Offered Bonds of such Series of the cancellation of such proposed Conversion one week prior to the proposed Conversion Date. **THIS REOFFERING STATEMENT IS ONLY INTENDED TO DESCRIBE OFFERED BONDS THAT ARE IN**

A WEEKLY MODE AND COVERED BY THE GSE CREDIT AND LIQUIDITY FACILITY.

GSE Credit and Liquidity Facility

General

The following is a summary of certain provisions of the GSE Credit and Liquidity Facility and the Reimbursement Agreement, dated as of December 23, 2009 (the “Reimbursement Agreement”), among the Agency, the Trustee and the GSEs. The GSE Credit and Liquidity Facility and the Reimbursement Agreement are referred to herein as the “TCLF Documents.”

This summary does not purport to be complete or definitive and reference is made to the TCLF Documents for a complete recital of each of their respective terms. The GSE Credit and Liquidity Facility will be issued pursuant to the Reimbursement Agreement under which the Agency will be obligated, among other things, to reimburse the GSEs, with interest at the applicable rates provided in the Reimbursement Agreement, for each drawing under the GSE Credit and Liquidity Facility. The obligations of each GSE under the GSE Credit and Liquidity Facility will be several and not joint obligations. For the definition of certain capitalized terms used in this summary and not otherwise defined herein or elsewhere in this Reoffering Statement, reference should be made to the TCLF Documents which may be obtained from the Trustee.

Certain Definitions

The following are definitions in summary form of certain terms contained in the TCLF Documents and used herein:

“*Advance*” means a Debt Service Advance, a Liquidity Advance or a Mandatory Tender Advance.

“*Bank Bonds*” means each Offered Bond purchased with the proceeds of a Liquidity Advance or a Mandatory Tender Advance, until remarketed or deemed to be remarketed in accordance with the provisions of the Reimbursement Agreement.

“*Debt*” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (f) all Guarantees by such Person of Debt of other Persons.

“*Guarantee*” by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or

payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part).

“*Hedge*” means any interest rate swap, interest rate cap, interest rate collar or other arrangement, contractual or otherwise, which has the effect of an interest rate swap, interest rate collar or interest rate cap or which otherwise (directly or indirectly, derivatively or synthetically) hedges interest rate risk associated with being a debtor of variable rate debt, or any agreement or other arrangement to enter into any of the above on a future date or after the occurrence of one or more events in the future.

“*Parity Debt*” means other Debt, including bonds (excluding the Offered Bonds), that is now or hereafter Outstanding under the terms of the Indenture; *provided, that* such Debt is secured on a parity with the Offered Bonds pursuant to the Indenture.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

The GSE Credit and Liquidity Facility

Nature of the GSEs’ Obligations

The GSEs’ obligation to make Advances to the Trustee upon the proper presentation of documents which conform to the terms and conditions of the GSE Credit and Liquidity Facility is absolute, unconditional and irrevocable, shall be fulfilled strictly in accordance with the GSE Credit and Liquidity Facility, and shall not be affected by any right of set-off, recoupment or counterclaim the GSEs might otherwise have against the Agency, the Trustee, the Tender Agent, the Remarketing Agent or any other person.

The obligations of each GSE under the GSE Credit and Liquidity Facility are primary, several and not joint obligations and shall not be affected by the performance or non-performance by the Agency under the Indenture or the Bonds or by the Agency under the Reimbursement Agreement or by the performance or non-performance of any party under any other agreement between or among any of the Agency, the Trustee or the GSEs. If one GSE fails to perform its obligations under the GSE Credit and Liquidity Facility, the other GSE will not be liable or responsible for performing the obligations of such nonperforming GSE.

Term of the GSE Credit and Liquidity Facility

(a) *Effective Date.* The obligation of the GSEs to make Advances with respect to a Series of Offered Bonds commences at 9:00 a.m. Eastern time on the Remarketing Date, which is also the date specified as the “Effective Date” for such Series of Offered Bonds on Schedule 1 to the GSE Credit and Liquidity Facility (the “*Effective Date*”).

(b) *Expiration Date.* Subject to paragraphs (c) and (d) below, the obligation of the GSEs to make Advances with respect to a Series of Offered Bonds under the GSE Credit and Liquidity Facility shall expire at 4:00 p.m. Eastern time on the date specified as the “Expiration Date” for such Series of Offered Bonds on Schedule 1 to the GSE Credit and Liquidity Facility (the “*Expiration Date*”).

(c) *Termination Before Expiration Date.* Subject to paragraph (d) below, the obligation of the GSEs to make Advances with respect to a Series of Offered Bonds under the GSE Credit and Liquidity Facility shall automatically terminate prior to the Expiration Date related to such Series of Offered Bonds on the first to occur of: (i) the honoring by the GSEs of a Debt Service Advance which automatically and permanently reduces the Principal Portion applicable to that Series of Offered Bonds to zero; (ii) the honoring by the GSEs of a Mandatory Tender Advance made in connection with a Mandatory Tender which the GSEs have required pursuant to the Reimbursement Agreement following the occurrence of an Event of Default thereunder; (iii) the GSEs’ receipt of a certificate in the form attached to the GSE Credit and Liquidity Facility as an Exhibit or such other form as provided therein (a “*Certificate*”) which provides that one of the following events has occurred: none of the Bonds of that Series of Offered Bonds are Outstanding under the Indenture or the Trustee has received a liquidity facility for such Series of Offered Bonds as permitted by the Indenture and the Reimbursement Agreement and such liquidity facility has been accepted in substitution for the GSE Credit and Liquidity Facility with respect to such Series of Offered Bonds or (iv) the close of business on the Business Day after the date of conversion by the Agency of the interest rate mode on the entire Series of Offered Bonds to an interest rate mode other than seven day variable rate. The date determined in the preceding sentence is the “*Termination Date*” applicable to that Series of Offered Bonds.

(d) *Business Day Convention.* In the event that any date on which the Expiration Date or the Termination Date would otherwise occur is not a Business Day, such date shall be 4:00 p.m. Eastern time on the next following Business Day.

The term “*Business Day*” is defined in the GSE Credit and Liquidity Facility to mean any day other than:

- (a) a Saturday or a Sunday;
- (b) any day on which banking institutions located in the City of New York, New York are required or authorized by law or executive order to close;
- (c) any day on which banking institutions located in the city or cities in which the principal or other designated corporate trust office of the Trustee or the Administrator is located are required or authorized by law or executive order to close;
- (d) prior to the date upon which the interest rate on the Bonds adjusts to a fixed rate mode, a day on which the New York Stock Exchange or the Federal Reserve is closed or on which banking institutions located in the city in which the Remarketing Agent is located are required or authorized by law or executive order to close; or

- (e) any day on which either of the GSEs is closed.

Types of Advances under the GSE Credit and Liquidity Facility

Pursuant to the terms of the GSE Credit and Liquidity Facility, the Trustee is entitled to draw thereunder to pay the unpaid principal of or interest on the Offered Bonds and to purchase Offered Bonds tendered for purchase but unsuccessfully remarketed. Each demand for an Advance shall be made if the Trustee does not have sufficient funds under the Indenture or otherwise to make the payment for which the Advance is required by the Trustee's presentation to the GSEs of a Certificate. The following types of Advances may be made under the GSE Credit and Liquidity Facility:

- (a) *Debt Service Advances.* Debt Service Advances may be made pursuant to the GSE Credit and Liquidity Facility to pay (i) principal of any Offered Bond (other than Bank Bonds) due as a result of acceleration, defeasance, redemption, stated maturity and/or (ii) interest on any Offered Bond (other than Bank Bonds) on or prior to their stated maturity date. Such Advances will be deposited in the Credit Facility Fund created in the Indenture.

- (b) *Mandatory Tender Advances.* Mandatory Tender Advances may be made pursuant to the GSE Credit and Liquidity Facility to pay the purchase price of, including principal of, plus accrued interest on, any Offered Bond (other than Bank Bonds) due as a result of a Mandatory Tender which Offered Bond is not remarketed by the Remarketing Agent.

- (c) *Liquidity Advances.* Liquidity Advances may be made pursuant to the GSE Credit and Liquidity Facility to pay the purchase price of, including principal of, plus accrued interest on, any Offered Bond subject to Optional Tender which Offered Bond is not remarketed by the Remarketing Agent.

Timing of Presentation and Payment under the GSE Credit and Liquidity Facility

Upon due receipt by a GSE of a Certificate completed with respect to a particular Series of Offered Bonds conforming to the terms and conditions of the GSE Credit and Liquidity Facility, such GSE will honor payment of the amounts specified in such Certificate if presented as specified below on or before the earlier of the Expiration Date or the Termination Date:

- (a) If a presentation in respect of a Debt Service Advance is made:

- (i) at or prior to 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 2:00 p.m. Eastern time on the second following Business Day.

- (ii) after 12:00 noon Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 2:00 p.m. Eastern time on the third following Business Day.

(b) If a presentation in respect of a Mandatory Tender Advance is made:

(i) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 2:00 p.m. Eastern time on the next following Business Day.

(ii) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 2:00 p.m. Eastern time on the second following Business Day.

(c) If a presentation in respect of a Liquidity Advance is made:

(i) at or prior to 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 2:00 p.m. Eastern time on the same Business Day.

(ii) after 10:30 a.m. Eastern time on a Business Day, payment shall be made to the Trustee in the amount specified no later than 2:00 p.m. Eastern time on the next following Business Day.

All Advances made under the GSE Credit and Liquidity Facility will be made with the GSEs' own funds in immediately available funds. See "Term of the GSE Credit and Liquidity Facility" above for a description of the term "Business Day" in the GSE Credit and Liquidity Facility.

Amount Available under the GSE Credit and Liquidity Facility

With respect to a Series of Offered Bonds and subject to the terms and conditions of the GSE Credit and Liquidity Facility, the Trustee may draw in an amount which is (i) equal as to the GSEs and (ii) the aggregate of which does not exceed the Amount Available set forth for such Series of Offered Bonds on Schedule 1 to the GSE Credit and Liquidity Facility (as such amount may be reduced or reinstated from time to time in accordance with the terms of the Reimbursement Agreement, the "*Amount Available*"), of which

(a) up to the Principal Portion set forth for such Series of Offered Bonds on Schedule 1 to the GSE Credit and Liquidity Facility (the "*Principal Portion*") may be drawn with respect to the unpaid principal of that Series of Offered Bonds or, as the case may be, the principal portion of the purchase price of that Series of Offered Bonds; and

(b) up to the Interest Portion set forth for such Series of Offered Bonds on Schedule 1 to the GSE Credit and Liquidity Facility (the "*Interest Portion*"), or the number of days interest on the Offered Bonds set forth on Schedule 1 (calculated at an assumed rate per annum on the Offered Bonds as set forth on Schedule 1, using the day count basis set forth in Schedule 1), may be drawn with respect to interest due and owing on the next payment date with respect to that Series of Offered Bonds or, as the case may be, the interest portion of the purchase price of that Series of Offered Bonds.

Reduction and Reinstatement of Amount Available

The Amount Available with respect to a Series of Offered Bonds shall be reduced or reinstated from time to time as described in the paragraphs below:

(a) *Automatic Reduction on Making any Advance.* The Amount Available for a Series of Offered Bonds shall be reduced automatically by the amount of each related Advance paid by a GSE, notwithstanding any act or omission, whether authorized or unauthorized, of the Trustee or any officer, director, employee or agent of the Trustee in connection with any Advance or the proceeds of such Advance or otherwise in connection with the GSE Credit and Liquidity Facility. Each reduction shall be permanent or subject to reinstatement as described in the paragraphs below. Such reduction shall be applied to the related Principal Portion for the Advance to which the reduction relates by the amount of such Advance and to the related Interest Portion by an amount equal to a proportionate amount of the permanent reduction of the Principal Portion.

In the event one GSE makes an Advance but the other GSE fails to make its related equal Advance, the automatic reduction of the Amount Available shall apply solely to the Amount Available which is obligated to be paid by the GSE which made the required Advance. In the event one GSE makes an Advance in full and the other GSE fails to make a part of its related equal Advance, the automatic reduction of the Amount Available shall apply in full to the Amount Available which is obligated to be paid by the GSE which made the required Advance in full and in part to the Amount Available which is obligated to be paid by the GSE which made the Required Advance in part to the extent of such partial payment.

(b) *Permanent Reduction on Account of Agency Payment.* The Principal Portion and Interest Portion related to a Series of Offered Bonds shall be reduced automatically and permanently upon payment by the Agency of any principal with respect to such Series of Offered Bonds as follows:

(i) the Principal Portion will be reduced by the amount of such payment or, if applicable, the principal component of any redemption or other payment; and

(ii) the Interest Portion will be proportionately reduced based on the amount of the related permanent reduction of the Principal Portion.

(c) *Reduction on Notice from the Trustee.* The Amount Available for a Series of Offered Bonds shall be reduced automatically by the amounts specified in a certificate from the Trustee to the GSEs which provides that the aggregate outstanding principal amount of the Series of Offered Bonds has been reduced. Such reduction shall be applied to the related Principal Portion and the Interest Portion as set out in the certificate.

(d) *Reinstatement of Interest Portion for Debt Service Advance.* Except for a permanent reduction of the Interest Portion under paragraph (b)(ii) or (c), the amount of the Interest Portion reduced by the interest component of a related Debt Service Advance

shall be reinstated immediately and automatically upon the making of such Debt Service Advance.

(e) *Reinstatement of Liquidity Advance and Mandatory Tender Advance.* The Principal Portion for a Series of Offered Bonds and the Interest Portion for a Series of Offered Bonds shall be reinstated after each related Liquidity Advance and each related Mandatory Tender Advance upon receipt by the GSEs of money equal to the amount by which the Trustee, pursuant to a Certificate of Reinstatement under the GSE Credit and Liquidity Facility, requests the GSEs to increase that Principal Portion and that Interest Portion.

The Reimbursement Agreement

Events of Default

Each of the following events constitutes an “Event of Default” under the Reimbursement Agreement:

(1) *Payments.* Any principal of, or interest on, any Offered Bond (including any Bank Bond) shall not be paid when due (disregarding for such purposes payments made pursuant to a Debt Service Advance); or

(2) *Fee Payments; Reimbursement.* The Agency shall fail to pay any amount owing with respect to (a) Debt Service Advances made by the GSEs, (b) the Facility Fee and certain other fees owing under the Reimbursement Agreement or (c) interest on the unpaid amount of any and all Bank Bonds, in each case when and as the same shall become due; or

(3) *Representations.* Any representation or warranty made or deemed to be made to the GSEs by or on behalf of the Agency in any of the Reimbursement Agreement, the GSE Credit and Liquidity Facility, the Offered Bonds, the Indenture, any investment agreement or repurchase agreement relating to security for the Offered Bonds, any surety bond or other credit or liquidity support relative to the Offered Bonds, any Hedge entered into with respect to the Offered Bonds and payable on a parity therewith and the Remarketing Agreement, as the same may be amended or modified from time to time in accordance with their respective terms and the terms of the Reimbursement Agreement (collectively, the “*Related Documents*”) or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(4) *Certain Covenants.* The Agency shall fail to observe or perform certain covenants or agreements of the Agency contained in the Reimbursement Agreement; or

(5) *Other Covenants.* The Agency shall default in the due performance or observance of any other term, covenant or agreement contained (or incorporated by reference) or there is any Default in the Reimbursement Agreement (other than those referred to in paragraphs (1)-(4) above) and such Event of Default or Default shall remain

unremedied for a period of thirty (30) days after the GSEs shall have given written notice thereof to the Agency; or

(6) *Insolvency.* (a) The Agency shall commence any case, proceeding or other action (i) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Agency shall make a general assignment for the benefit of its creditors; or (b) there shall be commenced against the Agency any case, proceeding or other action of a nature referred to in clause (a) above which (i) results in an order for such relief or in the appointment of a receiver or similar official or (ii) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (c) there shall be commenced against the Agency, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, rehabilitation, distraint or similar process against all or any substantial part of its assets (including the Security), which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (d) the Agency shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (a), (b) or (c) above; or (e) the Agency shall generally not, or shall be unable to, and so admit in writing its inability to, pay its Debts; or (f) a moratorium, restructuring, adjustment or comparable extraordinary restriction shall have been declared (whether or not in writing) with respect to the Offered Bonds or Parity Debt of the Agency by the Agency or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Agency; or

(7) *Invalidity.* (a) Any provision of the Act, the Reimbursement Agreement, the Indenture, the Offered Bonds or any Parity Debt relating to the payment of the principal of or interest on the Offered Bonds (including any Bank Bonds) or any Parity Debt or the Security therefor shall at any time and for any reason cease to be valid and binding on the Agency as a result of (i) finding or ruling, (ii) enactment or adoption of legislation, (iii) issuance of an executive order or (iv) entry of a judgment or decree, in each instance, by a Governmental Agency having appropriate jurisdiction over the Agency that such a provision is null and void, invalid or unenforceable; or (b) the Agency shall have taken or permitted to be taken any official action which would adversely affect the enforceability of the Reimbursement Agreement, the Offered Bonds, the Act, the Indenture or any Parity Debt relating to the payment of the principal or interest on the Offered Bonds (including any Bank Bonds) or any Parity Debt or the Security therefor or results in a repudiation of its obligation to pay the Offered Bonds (including any Bank Bonds); or (c) the Agency (i) challenges the validity or enforceability of any provision of the Reimbursement Agreement, the Offered Bonds, the Act, the Indenture or any Parity Debt relating to or otherwise affecting (A) the obligation to pay the principal of or interest on the Offered Bonds, the Bank Bonds or any Parity Debt or (B) the Security

available for repayment of the principal of or interest on the Offered Bonds, the Bank Bonds or any Parity Debt or (ii) seeks an adjudication that any provision of the Reimbursement Agreement, the Act, the Indenture, the Offered Bonds or any Parity Debt relating to or otherwise affecting (A) the Agency's obligation to pay the principal of or interest on the Offered Bonds, the Bank Bonds or any Parity Debt or (B) the Security available for repayment of the principal of or interest on the Offered Bonds, the Bank Bonds or any Parity Debt is not valid and binding on the Agency; or

(8) *Ratings Withdrawal or Suspension.* Each of Moody's, Fitch and S&P shall have (a) withdrawn their long-term ratings of the Offered Bonds or any unenhanced Parity Debt for any credit related reasons; or (b) suspended their long-term ratings of the Offered Bonds or any unenhanced Parity Debt for any credit related reasons; or

(9) *Default on Other Obligations.* (a) The Agency shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Parity Debt, or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Parity Debt, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any Parity Debt shall have been or, as a result of a payment default of any nature, may be accelerated or shall have been, or, as a result of a payment default of any nature, may be required to be prepaid prior to the stated maturity thereof; or (b) the Agency defaults under any other reimbursement agreement with the GSEs in connection with a credit and liquidity facility for Parity Debt; or

(10) *Judgment.* A final non appealable judgment or order for the payment of money that exceeds \$5,000,000 in aggregate shall have been rendered against the Agency and shall be payable from or attach to the Revenues or other monies pledged to the payment of the Offered Bonds under the Indenture, and such judgment or order shall not have been satisfied within a period of 30 days from the date on which such judgment was rendered; or

(11) *Maintenance of Tax-Exempt Status of the Offered Bonds.* Solely with respect to those Series of Offered Bonds that bear interest that is intended to be tax exempt, the issuance of a Proposed Determination by the Internal Revenue Service which, if not terminated, revoked or omitted, would adversely affect the exclusion from gross income of such interest on those Offered Bonds for purposes of the exemption of such interest from federal income taxes; or

(12) *Event of Default Under Related Documents.* An event of default shall occur and be continuing under any Related Documents.

Remedies

The Reimbursement Agreement provides that upon the occurrence of any Event of Default:

(1) the GSEs may declare all accrued and unpaid amounts payable to them under the Reimbursement Agreement to be immediately due and payable (other than payments of principal of and interest on Bank Bonds, acceleration rights with respect to which are governed by the Indenture), and the GSEs shall have all remedies provided at law or in equity, including, without limitation, specific performance; *provided, however*, the GSEs agree to fund advances under the GSE Credit and Liquidity Facility notwithstanding the occurrence of an Event of Default.

(2) the GSEs may give notice to the Tender Agent and Trustee of their election to require the Tender Agent/Trustee to cause a Mandatory Tender of all Offered Bonds.

The remedies described in paragraphs 1 and 2 above are not exclusive, and the GSEs have reserved the right and shall have the right to pursue any other available remedies, whether provided by law, equity or in any Related Document, including, without limitation, the Reimbursement Agreement.

Alternate Liquidity Facility

The Agency may elect to replace any Liquidity Facility (including the GSE Credit and Liquidity Facility) with an Alternate Liquidity Facility. The Agency shall promptly notify the Trustee, the Remarketing Agent, the Rating Agencies and the Tender Agent of the Agency's intention to deliver an Alternate Liquidity Facility at least 45 days prior to such delivery. The Offered Bonds to be covered by an Alternate Liquidity Facility will be subject to mandatory tender in the event of the delivery of such Alternate Liquidity Facility. See "Description of the Offered Bonds — Mandatory Tender." **THIS REOFFERING STATEMENT IS ONLY INTENDED TO DESCRIBE OFFERED BONDS THAT ARE IN A WEEKLY MODE AND COVERED BY THE GSE CREDIT AND LIQUIDITY FACILITY.**

DTC and Book-Entry

The Offered Bonds will be issued remarketed as fully-registered bonds in the name of Cede & Co., as nominee of DTC, as registered owner of the Offered Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Reoffering Statement, so long as all of the Offered Bonds are immobilized in the custody of DTC, references to holders or owners of the Offered Bonds (*except* under "Tax Matters") mean DTC or its nominee.

The information in this section concerning DTC and the DTC book-entry system has been obtained from DTC, and neither the Agency nor the Underwriters or Remarketing Agent take responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Offered Bonds. The Offered Bonds will be issued or remarketed as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate will be issued for each maturity of each Series thereof in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Offered Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE AGENCY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE OFFERED BONDS, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE OFFERED BONDS, ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDOWNERS UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL

REDEMPTION OR PARTIAL TENDER AND PURCHASE OF THE OFFERED BONDS OR ANY OTHER ACTION TAKEN BY DTC AS REGISTERED BONDOWNER.

A Beneficial Owner shall give notice to elect to have its Offered Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Offered Bonds by causing the Direct Participant to transfer the Participant's interest in the Offered Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Offered Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Offered Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Offered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Offered Bond certificates are required to be printed and delivered as described in the Indenture.

The Agency or the Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Offered Bond certificates will be printed and delivered to DTC.

In the event that the book-entry system with respect to the Offered Bonds is discontinued as described above, the following requirements of the Indenture will apply. The Indenture provides for issuance of bond certificates directly to registered owners of the Offered Bonds other than DTC or its nominee at the expense of such registered owners. Interest on such Offered Bond will be payable by check or draft mailed to the persons whose names appear on the registration books of the Agency maintained by the Trustee. Principal of each Offered Bond will be payable to the registered owner thereof upon surrender of such Offered Bond at the office of the Trustee in San Francisco, California or, at the option of the registered owner, at the office of U.S. Bank National Association, St. Paul, Minnesota. Notwithstanding the foregoing, upon written request of a registered owner of \$5,000,000 or more in aggregate principal amount of the Offered Bonds, interest on and, upon surrender, principal of such Bonds will be payable by wire transfer from the Trustee to the registered owner thereof. The Offered Bonds may be exchanged by the registered owners thereof in person or by duly authorized attorney. Any Offered Bond may be transferred with a written instrument of transfer, in form and with a medallion guarantee of signature satisfactory to the Trustee, duly executed by the registered owner or his or her duly authorized attorney, at the principal office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of the Offered Bonds to be exchanged or transferred. No transfer or exchange of any Offered Bond shall be required to be made during the 15 days next preceding each Interest Payment Date or with respect to an Offered Bond for which notice of redemption has been given. Upon such exchange or transfer, a new Offered Bond or Bonds, as applicable, of the same or any other authorized denomination or denominations for the same aggregate principal amount, will be issued to the owner or transferee, as the case may be, in exchange therefor.

INFORMATION CONCERNING SALES OF OFFERED BONDS BY REMARKETING AGENT

The information contained under this heading “Information Concerning Sales of Offered Bonds by Remarketing Agent” has been provided by the Remarketing Agent for use in this Reoffering Statement but has not been required by the Agency to be included herein and, except to the extent such information describes express provisions of the Indenture, the Agency does not accept any responsibility for its accuracy or completeness.

The Remarketing Agent is Paid by the Agency. The Remarketing Agent’s responsibilities include determining the interest rate from time to time and remarketing Offered Bonds that are optionally tendered by the Owners thereof, all as further described in this Reoffering Statement. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Offered Bonds. The Remarketing Agreement provides that, with respect to actions calling for the exercise of the Remarketing Agent’s judgment, the Remarketing Agent shall not be liable for any action taken or omitted to be taken, except for its own gross negligence or willful misconduct. Under no circumstances shall the Remarketing Agent be deemed a fiduciary of the Agency.

The Remarketing Agent Routinely Purchases Offered Bonds for its Own Account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Offered Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Offered Bonds for its own inventory in order to achieve a successful remarketing of the Offered Bonds (i.e., because there otherwise are not enough buyers to purchase the Offered Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Offered Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Offered Bonds by routinely purchasing and selling Offered Bonds other than in connection with a tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Offered Bonds. The Remarketing Agent may also sell any Offered Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Offered Bonds. The purchase of Offered Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Offered Bonds in the market than is actually the case. The practices described above also may reduce the supply of Offered Bonds that may be tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date. The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any, on the date the rate becomes effective (the “Effective Date”). The interest rate will reflect, among other factors, the level of market demand for the Offered Bonds (including whether the Remarketing Agent is willing to purchase Offered Bonds for its own account). The Remarketing Agreement requires that the Remarketing Agent use its best efforts to sell tendered Offered Bonds at par, plus accrued interest. There may or may not be Offered Bonds tendered and remarketed on a Rate Determination Date or an Effective Date, the Remarketing Agent may or may not be able to remarket any Offered Bonds tendered for purchase on such date at par and the

Remarketing Agent may sell Offered Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Offered Bonds at the remarketing price.

The Ability to Sell the Offered Bonds Other Than Through Tender Process May be Limited. While the Remarketing Agent may buy and sell Offered Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Offered Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Offered Bonds other than by tendering the Offered Bonds in accordance with the tender process.

TAX MATTERS

2000 Series AB Bonds

On the date of original issuance of the 2000 Series AB Bonds, Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”) delivered its opinion (the “2000 Series AB Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2000 Series AB Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”); except that no opinion was expressed as to the exclusion from gross income of interest on any 2000 Series AB Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2000 Series AB Bonds are used or is a “related person”; (ii) interest on the 2000 Series B Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; and (iii) interest on the 2000 Series AB Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2000 Series B Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income and that interest on the 2000 Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2000 Series AB Bond Opinion is set forth in Appendix A hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2000 Series AB Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2000 Series AB Bonds.

2000 Series CD Bonds

On the date of original issuance of the 2000 Series CD Bonds, Bond Counsel delivered its opinion (the “2000 Series CD Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2000 Series CD Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; except that no opinion was expressed as to the exclusion from gross income of interest on

any 2000 Series C Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2000 Series D Bonds are used or is a “related person”; (ii) interest on the 2000 Series D Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; and (iii) interest on the 2000 Series CD Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2000 Series D Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income and that interest on the 2000 Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2000 Series CD Bond Opinion is set forth in Appendix B hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2000 Series CD Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2000 Series CD Bonds.

2002 Series BC Bonds

On the date of original issuance of the 2002 Series BC Bonds, Bond Counsel delivered its opinion (the “2002 Series BC Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2002 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code (or Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”), and Title XIII of the Tax Reform Act of 1986 (the “1986 Act”) with respect to a portion of the 2002 Series B Bonds); except that no opinion was expressed as to the exclusion from gross income of interest on certain 2002 Series B Bonds for any period during which such Bond is held by a person who, within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, is a “substantial user” of the facilities with respect to which the proceeds of the 2002 Series BC Bonds are used or is a “related person”; (ii) interest on the 2002 Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; except that no opinion was expressed as to the exclusion from gross income of interest on any 2002 Series C Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2002 Series C Bonds are used or is a “related person”; (iii) interest on the 2002 Series B Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes; and (iv) interest on the 2002 Series BC Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2002 Series B Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income and that interest on the 2002 Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2002 Series BC Bond Opinion is set forth in Appendix C hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2002 Series BC Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility

will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2002 Series BC Bonds.

2005 Series D Bonds

On the date of original issuance of the 2005 Series D Bonds, Bond Counsel delivered its opinion (the “2005 Series D Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2005 Series D Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; except that no opinion was expressed as to the status of interest on any 2005 Series D Bond for any period that such 2005 Series D Bond is held by a “substantial user” of the facilities financed or refinanced by such 2005 Series D Bond or by a “related person” within the meaning of Section 147(a) of the Code; and (ii) interest on the 2005 Series D Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2005 Series D Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2005 Series D Bond Opinion is set forth in Appendix D hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2005 Series D Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2005 Series D Bonds.

2006 Series A Bonds

On the date of original issuance of the 2006 Series A Bonds, Bond Counsel delivered its opinion (the “2006 Series A Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2006 Series A Bonds was excluded from gross income for federal income tax purposes under Section 103 of the Code; except that no opinion was expressed as to the status of interest on any 2006 Series A Bond for any period that such 2006 Series A Bond is held by a “substantial user” of the facilities financed or refinanced by such 2006 Series A Bond or by a “related person” within the meaning of Section 147(a) of the Code; and (ii) interest on the 2006 Series A Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2006 Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2006 Series A Bond Opinion is set forth in Appendix E hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2006 Series A Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2006 Series A Bonds.

2007 Series B Bonds

On the date of original issuance of the 2007 Series B Bonds, Bond Counsel delivered its opinion (the “2007 Series B Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; except that no opinion was expressed as to the status of interest on any 2007 Series B Bond for any period that such 2007 Series B Bond is held by a “substantial user” of the facilities financed or refinanced by such 2007 Series B Bond or by a “related person” within the meaning of Section 147(a) of the Code; and (ii) interest on the 2007 Series B Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2007 Series B Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2007 Series B Bond Opinion is set forth in Appendix F hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2007 Series B Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2007 Series B Bonds.

2007 Series C Bonds

On the date of original issuance of the 2007 Series C Bonds, Bond Counsel delivered its opinion (the “2007 Series C Bond Opinion”) to the effect that, as of the date thereof, based upon an analysis of then-existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2007 Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code; except that no opinion was expressed as to the status of interest on any 2007 Series C Bond for any period that such 2007 Series C Bond is held by a “substantial user” of the facilities financed or refinanced by such 2007 Series C Bond or by a “related person” within the meaning of Section 147(a) of the Code; and (ii) interest on the 2007 Series C Bonds is exempt from State of California personal income taxes. Bond Counsel observed, however, that interest on the 2007 Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. A complete copy of the 2007 Series C Bond Opinion is set forth in Appendix G hereto.

On the Remarketing Date, Bond Counsel will deliver its opinion (the “2007 Series C Remarketing Opinion”) to the effect that the delivery of the GSE Credit and Liquidity Facility will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the 2007 Series C Bonds.

General

As described in the Official Statement with respect to each Series of the Offered Bonds, the Code, the 1954 Code and the 1986 Act imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of

interest on obligations such as the Offered Bonds. The Agency made certain representations and covenanted to comply with certain restrictions designed to ensure that interest on the Offered Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Offered Bonds being included in federal gross income, possibly from the date of issuance of each respective Series of Offered Bonds. The opinion of Bond Counsel delivered on the date of issuance of each Series of the Offered Bonds (each a “Tax Opinion”) assumed the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Offered Bonds may affect the value of, or the tax status of interest on, the Offered Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Offered Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. In each Tax Opinion, Bond Counsel expressed no opinion as to any series of Offered Bonds or the respective interest thereon if any such change occurred or action was taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel delivered its opinions that interest on the Offered Bonds was excluded from gross income for federal income tax purposes and was exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Offered Bonds may otherwise affect a beneficial owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the beneficial Owner or the beneficial Owner’s other items of income or deduction. Bond Counsel expressed and expresses no opinion regarding any such other tax consequences.

Each Tax Opinion was based on legal authority current as of the date that each respective Tax Opinion was delivered, covered certain matters not directly addressed by such authorities, and represented Bond Counsel’s judgment, as of the respective date of issuance of each Series of the Offered Bonds, as to the proper treatment of the Offered Bonds for federal income tax purposes. Each Remarketing Opinion will be based on legal authority as of the date of its delivery, will cover matters not directly addressed by such authorities, and will represent Bond Counsel’s judgment as to the proper treatment of the Offered Bonds for federal income tax purposes. Neither the Tax Opinions nor the Remarketing Opinions were or are binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Agency or the respective Borrowers, or about the effect of future changes in the Code, the 1954 Code, the 1986 Act, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Agency and the respective Borrowers have covenanted, however, to comply with the requirements of the Code, the 1954 Code and the 1986 Act, as applicable.

Bond Counsel's original engagement with respect to each series of the Offered Bonds ended with the issuance of that series of Offered Bonds. Bond Counsel's engagement with respect to remarketing of the Offered Bonds ends with the remarketing of the Offered Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Agency, the respective Borrowers or the beneficial owners regarding the tax-exempt status of the Offered Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Agency and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Agency legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Offered Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Offered Bonds, and may cause the Agency or the beneficial owners to incur significant expense.

LITIGATION

There is no pending (with service of process on the Agency completed) litigation of any nature restraining or enjoining or seeking to restrain or enjoin the remarketing or delivery of the Offered Bonds or contesting the validity of the Offered Bonds, the Indenture or other proceedings of the Agency taken with respect to the authorization, remarketing or sale of the Offered Bonds, or the pledge or application of any money under the Indenture (except as described below), or the existence or powers of the Agency to implement the Program.

While at any given time, including the present, there are or may be civil actions pending against the Agency, which could, if determined adversely to the Agency, affect the Agency's expenditures and in some cases its revenues, the Agency is of the opinion that no pending actions are likely to have a material adverse effect on the Agency's ability to pay principal of, premium, if any, and interest on the Offered Bonds when due.

LEGAL MATTERS

Certain legal matters incident to the remarketing and delivery of the Offered Bonds are subject to the approval of Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Reoffering Statement or other offering material relating to the Offered Bonds and expresses no opinion with respect thereto.

RATINGS


The Agency expects Moody's to assign the Offered Bonds a rating of "Aaa/VMIG-1" and S&P to assign the Offered Bonds a rating of "AAA/A-1+". The assignment of such ratings by Moody's and S&P to the Offered Bonds is conditioned upon the effectiveness of the GSE Credit and Liquidity Facility at the time of delivery of the Offered Bonds. Such ratings assigned to the Offered Bonds reflect only the views of the respective rating agency and an explanation of the significance of such ratings may be obtained from the rating agencies. There is no assurance that the ratings which have been assigned to the Offered Bonds will continue for any given

period of time or that they will not be revised or withdrawn entirely by such rating agencies, if in the judgment of the rating agencies, circumstances so warrant. A downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Offered Bonds.

MISCELLANEOUS

The execution and delivery of this Reoffering Statement have been duly authorized by the Agency.

CALIFORNIA HOUSING FINANCE AGENCY


By: /s/ BRUCE D. GILBERTSON
Director of Financing

Dated: December 23, 2009

APPENDIX A

APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ISSUANCE OF THE 2000 SERIES AB BONDS

On the date of issuance of the 2000 Series AB Bonds, Bond Counsel issued the following approving opinion:

July 12, 2000

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2000 Series A and 2000 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the California Housing Finance Agency (the “Agency”) of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2000 Series A in the aggregate principal amount of \$91,000,000 (the “2000 Series A Bonds”), and the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2000 Series B in the aggregate principal amount of \$9,200,000 (the “2000 Series B Bonds,” and together with the 2000 Series A Bonds, the “2000 Series A and B Bonds”), each issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank Trust National Association, as trustee (the “Trustee”), as heretofore supplemented and as supplemented by a Series Indenture, dated as of July 1, 2000, by and between the Agency and the Trustee (collectively, the “Indenture”). The Multifamily Housing Revenue Bonds III (the “Bonds”) are authorized to be issued for the purposes of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed form of regulatory agreement to be executed by each Borrower in connection with the financing of a Loan (each a “Regulatory Agreement”), the tax certificate, dated the date hereof and relating to the 2000 Series A and B Bonds (the “Tax Certificate”), other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The interest rate mode on the 2000 Series A and B Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Regulatory Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2000 Series A and B Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2000 Series A and B Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2000 Series A and B Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

The 2000 Series A and B Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other than Rebutable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond

Purchase Account and the Rebate Account) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

The 2000 Series A and B Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2000 Series A and B Bonds.

Interest on the 2000 Series A and B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”); except that no opinion is expressed as to the exclusion from gross income of interest on any 2000 Series A and B Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2000 Series A and B Bonds are used or is a “related person.” Interest on the 2000 Series B Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. We further observe that interest on 2000 Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2000 Series A and B Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2000 Series A and B Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX B

APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ISSUANCE OF THE 2000 SERIES CD BONDS

On the date of issuance of the 2000 Series CD Bonds, Bond Counsel issued the following approving opinion:

November 16, 2000

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2000 Series C and 2000 Series D
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the California Housing Finance Agency (the “Agency”) of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2000 Series C in the aggregate principal amount of \$63,300,000 (the “2000 Series C Bonds”), and the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2000 Series D in the aggregate principal amount of \$19,520,000 (the “2000 Series D Bonds,” and together with the 2000 Series C Bonds, the “2000 Series C and D Bonds”), each issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank Trust National Association, as trustee (the “Trustee”), as heretofore supplemented and as supplemented by a Series Indenture, dated as of November 1, 2000, by and between the Agency and the Trustee (collectively, the “Indenture”). The Multifamily Housing Revenue Bonds III (the “Bonds”) are authorized to be issued for the purposes of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed form of regulatory agreement to be executed by each Borrower in connection with the financing of a Loan (each a “Regulatory Agreement”), the tax certificate, dated the date hereof and relating to the 2000 Series C and D Bonds (the “Tax Certificate”), other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The interest rate mode on the 2000 Series C and D Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Regulatory Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2000 Series C and D Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any 2000 Series C and D Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2000 Series C and D Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2000 Series C and D Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2000 Series C and D Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

2. The 2000 Series C and D Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of

the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other than Rebatable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4. The 2000 Series C and D Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2000 Series C and D Bonds.

5. Interest on the 2000 Series C and D Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the exclusion from gross income of interest on any 2000 Series C Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities with respect to which the proceeds of the 2000 Series C Bonds are used or is a "related person." Interest on the 2000 Series D Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. We further observe that interest on 2000 Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2000 Series C and D Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2000 Series C and D Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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**APPROVING OPINION OF BOND COUNSEL
DELIVERED UPON ISSUANCE OF THE 2002 SERIES BC BONDS**

On the date of issuance of the 2002 Series BC Bonds, Bond Counsel issued the following approving opinion:

September 10, 2002

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2002 Series B and 2002 Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the California Housing Finance Agency (the “Agency”) of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2002 Series B in the aggregate principal amount of \$33,520,000 (the “2002 Series B Bonds”), and the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2002 Series C in the aggregate principal amount of \$38,255,000 (the “2002 Series C Bonds,” and together with the 2002 Series B Bonds, the “2002 Series B and C Bonds”), each issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an Indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank, N.A., as trustee (the “Trustee”), as heretofore supplemented and as supplemented by a Series Indenture, dated as of September 1, 2002, and as amended by a Supplemental Indenture, dated as of September 1, 2002, by and between the Agency and the Trustee (collectively, the “Indenture”). The Multifamily Housing Revenue Bonds III (the “Bonds”) are authorized to be issued for the purposes of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed forms of regulatory agreements to be executed by each Borrower in connection with the financing of a Loan (each, a “Regulatory Agreement”), the tax certificate, dated the date hereof (the “Tax Certificate”) and relating to the 2002 Series B and C Bonds, other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The interest rate mode on the 2002 Series B and C Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Regulatory Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2002 Series B and C Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2002 Series B and C Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2002 Series B and C Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

2. The 2002 Series B and C Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other

than Rebutable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4. The 2002 Series B and C Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2002 Series B and C Bonds.

5. Interest on the 2002 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) (or Section 103 of the Internal Revenue Code of 1954, as amended (the “1954 Code”), and Title XIII of the Tax Reform Act of 1986 with respect to a portion of the 2002 Series B Bonds), except that no opinion is expressed as to the exclusion from gross income of interest on certain 2002 Series B Bonds for any period during which such a Bond is held by a person who, within the meaning of Section 103(b)(13) of the 1954 Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2002 Series B Bonds are used or is a “related person.” Interest on the 2002 Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, except that no opinion is expressed as to the exclusion from gross income of interest on any 2002 Series C Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities with respect to which the proceeds of the 2002 Series C Bonds are used or is a “related person.” Interest on the 2002 Series B Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. We further observe that interest on the 2002 Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2002 Series B and C Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2002 Series B and C Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX D

APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ISSUANCE OF THE 2005 SERIES D BONDS

On the date of issuance of the 2005 Series D Bonds, Bond Counsel issued the following approving opinion:

November 3, 2005

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2005 Series C, 2005 Series D and 2005 Series E
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Agency in connection with the issuance by the California Housing Finance Agency (the "Agency") of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2005 Series C, in the aggregate principal amount of \$9,025,000 (the "2005 Series C Bonds"), the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2005 Series D, in the aggregate principal amount of \$91,225,000 (the "2005 Series D Bonds"), and the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2005 Series E, in the aggregate principal amount of \$22,935,000 (the "2005 Series E Bonds" and, together with the 2005 Series C Bonds and the 2005 Series D Bonds, the "2005 Series C, D and E Bonds") issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), and an Indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank National Association, as trustee (the "Trustee"), as amended and supplemented, including as supplemented by Series Indentures, dated as of November 1, 2005, by and between the Agency and the Trustee (collectively, the "Indenture"). The Multifamily Housing Revenue Bonds III (the "Bonds") are authorized to be issued for the purposes of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed forms of regulatory agreements to be executed by each Borrower in connection with the financing of a Loan (each, a "Regulatory Agreement"), the tax certificate, dated the date hereof and relating to the 2005 Series C, D and E Bonds (the "Tax Certificate"), other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution

of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The interest rate mode on the 2005 Series D Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Regulatory Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2005 Series C, D and E Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any 2005 Series C, D and E Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2005 Series C, D and E Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2005 Series C, D and E Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver, or severability provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2005 Series C, D and E Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

2. The 2005 Series C, D and E Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other than Rebatable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4. The 2005 Series C, D and E Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2005 Series C, D and E Bonds.

5. Interest on the 2005 Series C, D and E Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the exclusion from gross income of interest on any 2005 Series D Bond or 2005 Series E Bond for any period during which such 2005 Series D Bond or 2005 Series E Bond is held by a person who, within the meaning of Section 147(a) of the Code is a “substantial user” of the facilities financed or refinanced by such 2005 Series D Bond or 2005 Series E Bond or by a “related person.” Interest on the 2005 Series C Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. We further observe that interest on the 2005 Series D Bonds and 2005 Series E Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2005 Series C, D and E Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2005 Series C, D and E Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX E

APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ISSUANCE OF THE 2006 SERIES A BONDS

On the date of issuance of the 2006 Series A Bonds, Bond Counsel issued the following approving opinion:

June 15, 2006

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2006 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Agency in connection with the issuance by the California Housing Finance Agency (the “Agency”) of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2006 Series A, in the aggregate principal amount of \$76,915,000 (the “2006 Series A Bonds”) issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an Indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as amended and supplemented, including as supplemented by a Series Indenture, dated as of June 1, 2006, by and between the Agency and the Trustee (collectively, the “Indenture”). The Multifamily Housing Revenue Bonds III (the “Bonds”) are authorized to be issued for the purposes of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed forms of regulatory agreements to be executed by each Borrower in connection with the financing of a Loan (each, a “Regulatory Agreement”), the tax certificate, dated the date hereof and relating to the 2006 Series A Bonds (the “Tax Certificate”), other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The interest rate mode on the 2006 Series A Bonds and certain agreements, requirements and procedures contained or referred to in the Indenture, the Regulatory Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without

limitation, defeasance of the 2006 Series A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any 2006 Series A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2006 Series A Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2006 Series A Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver, or severability provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2006 Series A Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

2. The 2006 Series A Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other than Rebutable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein, in each

case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4. The 2006 Series A Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2006 Series A Bonds.

5. Interest on the 2006 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, except that no opinion is expressed as to the exclusion from gross income of interest on any 2006 Series A Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code is a “substantial user” of the facilities financed or refinanced by such Bonds or by a “related person.” We observe that interest on the 2006 Series A Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the 2006 Series A Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Series A Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX F

APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ISSUANCE OF THE 2007 SERIES B BONDS

On the date of issuance of the 2007 Series B Bonds, Bond Counsel issued the following approving opinion:

July 12, 2007

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2007 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Housing Finance Agency (the “Agency”) in connection with the issuance by the Agency of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2007 Series B, in the aggregate principal amount of \$16,630,000 (the “2007 Series B Bonds”), issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an Indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as amended and supplemented, including as supplemented by a Series Indenture, dated as of June 1, 2007, by and between the Agency and the Trustee (collectively, the “Indenture”). The Multifamily Housing Revenue Bonds III (the “Bonds”) are authorized to be issued for the purposes, among others, of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed forms of regulatory agreements to be executed by each Borrower in connection with the financing of a Loan (each a “Regulatory Agreement”), the tax certificate, dated the date hereof and relating to the 2007 Series B Bonds (the “Tax Certificate”), other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities.

Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2007 Series B Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2007 Series B Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2007 Series B Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

2. The 2007 Series B Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other than Rebatable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4. The 2007 Series B Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither

the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2007 Series B Bonds.

5. Interest on the 2007 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the exclusion from gross income of interest on any 2007 Series B Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced by such Bond or by a "related person." Interest on the 2007 Series B Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Interest on the 2007 Series B Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2007 Series B Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX G

APPROVING OPINION OF BOND COUNSEL DELIVERED UPON ISSUANCE OF THE 2007 SERIES C BONDS

On the date of issuance of the 2007 Series C Bonds, Bond Counsel issued the following approving opinion:

October 18, 2007

California Housing Finance Agency
Sacramento, California

California Housing Finance Agency
Multifamily Housing Revenue Bonds III
2007 Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Housing Finance Agency (the “Agency”) in connection with the issuance by the Agency of the California Housing Finance Agency Multifamily Housing Revenue Bonds III, 2007 Series C, in the aggregate principal amount of \$27,970,000 (the “2007 Series C Bonds”), issued pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the “Act”), and an Indenture, dated as of March 1, 1997, by and between the Agency and U.S. Bank National Association, as trustee (the “Trustee”), as amended and supplemented, including as supplemented by a Series Indenture, dated as of June 1, 2007, by and between the Agency and the Trustee (collectively, the “Indenture”). The Multifamily Housing Revenue Bonds III (the “Bonds”) are authorized to be issued for the purposes, among others, of providing funds to finance or refinance the construction or development of multifamily rental housing, all in accordance with the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the proposed forms of regulatory agreements to be executed by each Borrower in connection with the financing of a Loan (each a “Regulatory Agreement”), the tax certificate, dated the date hereof and relating to the 2007 Series C Bonds (the “Tax Certificate”), other certifications of the Agency, the Trustee and others as to certain factual matters and such other documents, opinions and matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Agency.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities.

Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof, and we disclaim any obligation to update this letter. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Tax Certificate and the Regulatory Agreements and other relevant documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2007 Series C Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the 2007 Series C Bonds, the Indenture, the Tax Certificate and the various Loan Documents, including the Regulatory Agreements, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described herein. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the 2007 Series C Bonds and express herein no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Agency has been duly created and validly exists with good right and lawful authority to perform its obligations in accordance with law and the terms and conditions of the Indenture.

2. The 2007 Series C Bonds have been duly authorized and constitute valid and binding general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys.

3. The Indenture has been duly authorized, executed and delivered by, and is a valid and binding obligation of, the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds and other obligations secured thereby, of the right, title and interest of the Agency in, to and under the Loans, all of the Revenues (other than Rebutable Arbitrage), all proceeds of the sale of Bonds, and all Accounts (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein, in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

4. The 2007 Series C Bonds do not constitute a debt or liability of the State of California or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State of California or any such political subdivision, other than the Agency. Neither

the faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of or interest on the 2007 Series C Bonds.

5. Interest on the 2007 Series C Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the exclusion from gross income of interest on any 2007 Series C Bond for any period during which such Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed or refinanced by such Bond or by a "related person." Interest on the 2007 Series C Bonds is a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Interest on the 2007 Series C Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2007 Series C Bonds.

Very truly yours,

/S/ ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX H

CERTAIN DEFINITIONS WITH RESPECT TO THE OFFERED BONDS

“Alternate Liquidity Facility” means any Liquidity Facility subsequent to the GSE Credit and Liquidity Facility that the Agency may provide pursuant to each Offered Bonds Series Indenture. This Reoffering Statement is intended only to describe Offered Bonds that are covered by the GSE Credit and Liquidity Facility.

“Bank Bonds” means Offered Bonds subject to optional or mandatory tender for purchase and not remarketed by the Remarketing Agent that are purchased by the Tender Agent with funds advanced by the GSEs pursuant to the GSE Credit and Liquidity Facility.

“Bank Interest Rate” means the rate of interest, if any, on any Bank Bonds held by and payable to a GSE at any time as determined and calculated in accordance with the provisions of the GSE Credit and Liquidity Facility.

“Bondholder” or “Holder” means, for purposes of this Reoffering Statement, any Holder (as defined under the Indenture) of Offered Bonds, except that (i) where the context so requires, such terms shall mean Holders of Bonds under the Indenture, and (ii) except under “Tax Matters” herein, so long as the Offered Bonds are immobilized in the custody of DTC, such terms shall mean, for purposes of giving notice to such Bondholders or Holders, DTC or its nominee. (See “The Offered Bonds — DTC and Book-Entry” herein.)

“Business Day” means any day on which banks are generally open for business in New York, New York, St. Paul, Minnesota, San Francisco, California, and Washington, D.C., and the New York Stock Exchange is open.

“Conversion Date” means the Business Day on which the interest rate or any of the Offered Bonds is Converted to Fixed Interest Rates.

“Convert,” “Converted” or “Conversion,” as appropriate, means the conversion of the interest rate on the Offered Bonds to Fixed Interest Rates pursuant to the applicable Offered Bonds Series Indenture.

“Effective Rate” means the rate of interest, which rate shall be less than or equal to the Maximum Rate, payable on the Offered Bonds prior to any Conversion, determined for each Effective Rate Period pursuant to the applicable Offered Bonds Series Indenture.

“Effective Rate Date” means each date on which Offered Bonds begin to bear interest at the applicable Effective Rate; provided that in the event that any Effective Rate Date would occur on a day that is not a Business Day, such Effective Rate Date shall be the next succeeding Business Day.

“Effective Rate Period” means the period during which interest accrues under a particular Mode from one Effective Rate Date to and including the day preceding the next Effective Rate Date with respect to the Offered Bonds.

“Fixed Interest Rate” means a long-term interest rate fixed to maturity of an Offered Bond, established in accordance with the applicable Offered Bonds Series Indenture. This Reoffering Statement is not intended to describe the Offered Bonds following Conversion to Fixed Interest Rates.

“Liquidity Facility” means any instrument delivered pursuant to the terms of an Offered Bonds Series Indenture which provides liquidity support in accordance with the terms therewith for the purchase of Offered Bonds, including the GSE Credit and Liquidity Facility and any Alternate Liquidity Facility.

“Maximum Rate” means 12% per annum.

“Mode” means the manner in which the interest rate is determined, consisting of a Daily Rate, Weekly Rate, Monthly Rate, Quarterly Rate, Semiannual Rate, Indexed Rate and Auction Rate. This Reoffering Statement is not intended to describe Offered Bonds bearing interest at other than a Weekly Rate.

“Mode Change” means a change in Mode Period.

“Mode Change Date” means the effective date of a Mode Change.

“Mode Period” means each period beginning on the first Effective Rate Date for the Offered Bonds, or the first Effective Rate Date following a change from one Mode to another and ending on the date immediately preceding the first Effective Rate Date following the next such change in Mode.

“Non-Conforming Liquidity Facility” means a liquidity facility provided by the Agency pursuant to the 2005 Series D Indenture, other than the GSE Credit and Liquidity Facility, an Alternate Liquidity Facility or a Self Liquidity Facility.

“Non-Liquidity Remarketed Bonds” means any Offered Bonds that the Agency designates as such in accordance with the Indenture. This Reoffering Statement is not intended to describe the Offered Bonds following their becoming Non-Liquidity Remarketed Bonds.

“Non-Liquidity Remarketed Bonds Change Date” means the effective date on which any Liquidity Facility Bonds become Non-Liquidity Remarketed Bonds or Non-Liquidity Remarketed Bonds become Liquidity Facility Bonds.

“Rate Determination Date” means the date on which the Effective Rate is determined for the Effective Rate Period following each such Rate Determination Date, which, with respect to an Effective Rate Period during which the Offered Bonds are to bear interest at a Weekly Rate, is by 4:00 P.M. on the immediately preceding Business Day.

“SIFMA Index” means, with respect to any Effective Rate Period, the per annum rate equal to the Securities Industry and Financial Markets Association Municipal Swap Index (formerly The Bond Market Association Municipal Swap Index) in effect on the related Rate Determination Date; provided, however, that if Securities Industry Financial Markets Association Municipal Swap Index shall become unavailable, the SIFMA Index shall be deemed

to be the Kenny Index (as defined in the 1992 ISDA U.S. Municipal Counterparty Definitions), and provided further that if the Kenny Index shall become unavailable, the SIFMA Index shall be a comparable index selected by the Remarketing Agent. The Securities Industry and Financial Markets Association Municipal Swap Index is an index based on the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by the Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association.

“Weekly Mode Period” means each period of time during which any of the Offered Bonds bear interest at a Weekly Rate.

“Weekly Rate” means the rate of interest to be borne by any of the Offered Bonds during a Weekly Mode Period as described in each Offered Bonds Series Indenture.

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APPENDIX I

CERTAIN INFORMATION RELATING TO THE GSES

The information presented under the heading “Fannie Mae” below has been supplied by Fannie Mae, and the information under the heading “Freddie Mac” below has been supplied by Freddie Mac. None of the Agency, the Trustee or the Remarketing Agent has independently verified such information, and none assumes responsibility for the accuracy of such information.

Fannie Mae

Fannie Mae is a government-sponsored enterprise that was chartered by the U.S. Congress in 1938, organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. (the “Charter”). Fannie Mae has a public mission to support liquidity and stability in the secondary mortgage market, where existing mortgage loans are purchased and sold. Fannie Mae securitizes mortgage loans originated by lenders in the primary mortgage market into mortgage-backed securities (“Fannie Mae MBS”), which can then be bought and sold in the secondary mortgage market. Fannie Mae also participates in the secondary mortgage market by purchasing mortgage loans (often referred to as “whole loans”) and mortgage-related securities, including Fannie Mae MBS, for Fannie Mae’s mortgage portfolio. In addition, Fannie Mae makes other investments to increase the supply of affordable housing, however, pursuant to the Charter, Fannie Mae may not lend money directly to consumers in the primary mortgage market. *Although Fannie Mae is a corporation chartered by the U.S. Congress, the conservator of Fannie Mae is a U.S. Government agency, and the United States Department of Treasury (“Treasury”) owns senior preferred stock and a warrant to purchase common stock of Fannie Mae, the U.S. Government (including Treasury) does not guarantee, directly or indirectly, the securities or other obligations of Fannie Mae.*

On September 6, 2008, the Director of the Federal Housing Finance Agency (“FHFA”), the safety, soundness and mission regulator of Fannie Mae, placed Fannie Mae into conservatorship and appointed FHFA as the conservator. As the conservator, FHFA succeeded to all rights, titles, powers and privileges of Fannie Mae, and of any stockholder, officer or director of Fannie Mae with respect to Fannie Mae and the assets of Fannie Mae. As such, FHFA has the authority to conduct all business of Fannie Mae. Pursuant to the Housing and Economic Recovery Act of 2008, FHFA, as conservator, may take “such action as may be necessary to put the regulated entity in a sound and solvent condition.” Fannie Mae has no control over FHFA’s actions or the actions it may direct Fannie Mae to take. The conservatorship has no specified termination date; Fannie Mae does not know when or how the conservatorship will be terminated. In addition, the Board of Directors of Fannie Mae does not have any fiduciary duties to any person or entity except to FHFA, as conservator. Accordingly, the Board of Directors is not obligated to consider the interests of Fannie Mae or the stockholders of Fannie Mae unless specifically directed to do so by FHFA, as conservator. The United States Department of Housing and Urban Development, however, remains Fannie Mae’s regulator with respect to fair lending matters.

On September 7, 2008, Fannie Mae, through its conservator, entered into two agreements with Treasury – a Senior Preferred Stock Purchase Agreement (“Stock Purchase Agreement”)

and a Common Stock Warrant (“Warrant”). Pursuant to the Stock Purchase Agreement, Fannie Mae issued to Treasury 1,000,000 shares of senior preferred stock (“Senior Preferred Stock”) with an initial liquidation preference of \$1,000 per share and the Warrant, which allows Treasury to purchase, for a nominal price, shares of common stock equal to 79.9% of the outstanding common stock of Fannie Mae. The Senior Preferred Stock and the Warrant were issued to Treasury as an initial commitment fee for Treasury’s commitment (the “Commitment”), set forth in the Stock Purchase Agreement, to provide up to \$100 billion in funds to Fannie Mae under specified conditions. The Stock Purchase Agreement was amended and restated on September 26, 2008 and was further amended on May 6, 2009 to, among other things, increase the size of the Commitment to \$200 billion. Fannie Mae generally may draw funds under the Commitment on a quarterly basis when Fannie Mae’s total liabilities exceed its total assets on its consolidated balance sheet prepared in accordance with generally accepted accounting principles as of the end of the preceding quarter. Additional information about the conservatorship, the Stock Purchase Agreement, the Warrant and the Commitment is included in Fannie Mae’s Annual Report on Form 10-K for the year ended December 31, 2008 (the “2008 Form 10-K”) and Fannie Mae’s quarterly reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009, respectively, which are incorporated by reference into this section of the Official Statement.

Through September 30, 2009, Fannie Mae had received a total of \$44.9 billion from Treasury under the Commitment. At September 30, 2009, Fannie Mae’s total liabilities exceeded its total assets on its consolidated balance sheet by \$15.0 billion. On November 4, 2009, the Acting Director of FHFA submitted a request on Fannie Mae’s behalf to Treasury to draw additional funds under the Commitment by December 31, 2009 to eliminate Fannie Mae’s net worth deficit as of September 30, 2009. Amounts drawn on the Commitment are added to the liquidation preference of the Senior Preferred Stock, which currently has a 10% annual dividend rate. Upon the receipt of the requested funds from Treasury, (i) Fannie Mae will have drawn a total of \$59.9 billion in funds under the Commitment, (ii) the aggregate liquidation preference of the Senior Preferred Stock will equal \$60.9 billion and (iii) the annualized dividend obligation on the Senior Preferred Stock, based upon the 10% annual dividend rate, will be \$6.1 billion. If dividends are not paid quarterly and in cash, the annual dividend rate would increase to 12%, and the unpaid dividend would accrue and be added to the liquidation preference of the Senior Preferred Stock.

On September 19, 2008, Fannie Mae entered into a lending agreement with Treasury (the “Treasury Credit Facility”) under which Fannie Mae may request loans from Treasury until December 31, 2009, although Treasury is not obligated to make any such requested loan. To borrow from Treasury under the Treasury Credit Facility, Fannie Mae must post collateral in the form of agency mortgage-backed securities to secure all such borrowings under the Treasury Credit Facility. As of the date of the Official Statement, Fannie Mae has not borrowed any funds under the Treasury Credit Facility.

The Stock Purchase Agreement, the Warrant and the Treasury Credit Facility contain covenants that significantly restrict Fannie Mae’s business activities. These covenants include prohibitions on the following activities unless prior written consent of Treasury is obtained (i) the issuance of equity securities (except in limited instances), (ii) the payment of dividends or other distributions on Fannie Mae’s equity securities (other than the Senior Preferred Stock or

the Warrant) and (iii) the issuance of subordinated debt securities. The covenants also limit the amount of debt securities Fannie Mae may have outstanding. These covenants are summarized in the 2008 Form 10-K and Fannie Mae's quarterly report on Form 10-Q for the quarter ended March 31, 2009.

The securities of Fannie Mae are not guaranteed by the United States Government (including Treasury) and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof, including Treasury and FHFA, other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC's website at www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's web site at <http://www.fanniemae.com/ir/sec> or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in this section of the Official Statement the documents described herein that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to Bondholders and other recipients of the Official Statement by referring such recipients to those documents. Those documents are considered part of this section of the Official Statement, so Bondholders and other recipients of the Official Statement should read the Official Statement and any applicable supplements or amendments, together with those documents, before making an investment decision.

Fannie Mae incorporates by reference the following documents Fannie Mae has filed, or may file, with the SEC:

- (i) Fannie Mae's 2008 Form 10-K, filed with the SEC on February 26, 2009;
- (ii) all other reports that Fannie Mae files with the SEC pursuant to Section 13(a) or 13(c) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), since the end of the fiscal year covered by Fannie Mae's 2008 Form 10-K until the date of the Official Statement, including any quarterly reports on Form 10-Q and current reports on Form 8-K, but excluding any information "furnished" to the SEC on Form 8-K; and
- (iii) all other proxy statements that Fannie Mae files with the SEC, and all documents Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act subsequent to the date of the Official Statement and prior to the termination of the offering of securities under the Official Statement, excluding any information "furnished" to the SEC on Form 8-K.

The information contained in this section of the Reoffering Statement was prepared as of the date of the Reoffering Statement. Bondholders and other recipients of the Reoffering Statement should rely on the most currently available information, however, Fannie Mae has no secondary market obligation to update the information contained in this section of the Reoffering Statement.

In addition, Fannie Mae makes no representation as to the contents of the Official Statement (other than the information contained in this section), the suitability of the Bonds for

any investor, the feasibility or performance of any project or loan, or compliance with any securities, tax, or other laws or regulations. Fannie Mae's role with respect to the Offered Bonds is limited to issuing and discharging its obligations under the GSE Credit and Liquidity Facility on the Offered Bonds and exercising the rights reserved to it in the Indenture and the Reimbursement Agreement.

Freddie Mac

The information presented under this caption "Freddie Mac" has been supplied by Freddie Mac. None of the Agency, the Trustee or the Remarketing Agent has independently verified such information, and none assumes responsibility for the accuracy of such information. The information is qualified in its entirety by reference to the Incorporated Documents, as defined below.

Freddie Mac is a shareholder-owned government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for residential mortgages; (ii) to respond appropriately to the private capital market; (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and (iv) to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage financing. Neither the United States nor any agency or instrumentality of the United States is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac or to guarantee Freddie Mac's securities or obligations.

Freddie Mac's principal business consists of the purchase of (i) first-lien, conventional residential mortgages subject to certain maximum loan limits and other underwriting requirements under the Freddie Mac Act and (ii) securities backed by such mortgages. Freddie Mac finances its mortgage purchases and mortgage-backed securities purchases through the issuance of a variety of securities, primarily pass-through mortgage participation certificates and unsecured debt, as well as with cash and equity capital.

On September 7, 2008, the Director of the Federal Housing Finance Agency ("FHFA") appointed FHFA as conservator of Freddie Mac in accordance with the Federal Housing Finance Reform Act of 2008 (the "Reform Act") and the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. On September 7, 2008, in connection with the appointment of FHFA as conservator, Freddie Mac and the U.S. Department of the Treasury ("Treasury") entered into a Senior Preferred Stock Purchase Agreement. Also, pursuant to its authority under the Reform Act, Treasury announced that it has established the Government Sponsored Enterprise Credit Facility (a lending facility to ensure credit availability to Freddie Mac, Fannie Mae, and the Federal Home Loan Banks that will provide secured funding on an as-needed basis under terms and conditions established by the Treasury Secretary to protect taxpayers) and a program under which Treasury will purchase Government Sponsored Enterprise (including Freddie Mac) mortgage-backed securities (MBS) in the open market. The announcements by

FHFA and Treasury and descriptions of these programs are available at their respective websites: <http://www.OFHEO.gov> and <http://www.Treasury.gov>.

Freddie Mac registered its common stock with the U.S. Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (the “Exchange Act”), effective July 18, 2008. As a result, Freddie Mac files annual, quarterly and current reports, proxy statements and other information with the SEC. Prior to July 18, 2008, Freddie Mac prepared an annual Information Statement (containing annual financial disclosures and audited consolidated financial statements) and Information Statement Supplements (containing periodic updates to the annual Information Statement).

As described below, Freddie Mac incorporates certain documents by reference in this Official Statement, which means that Freddie Mac is disclosing information to you by referring you to those documents rather than by providing you with separate copies. Freddie Mac incorporates by reference in this Official Statement its proxy statement, and all documents that Freddie Mac files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act, after July 18, 2008 and prior to the completion of the offering of the related Bonds, excluding any information that Freddie Mac may “furnish” to the SEC but that is not deemed to be “filed.” Freddie Mac also incorporates by reference its Registration Statement on Form 10, in the form declared effective by the SEC on July 18, 2008 (the “Registration Statement”). These documents are collectively referred to as the “Incorporated Documents” and are considered part of this Official Statement. You should read this Official Statement, in conjunction with the Incorporated Documents. Information that Freddie Mac incorporates by reference will automatically update information in this Official Statement. Therefore, you should rely only on the most current information provided or incorporated by reference in this Official Statement.

You may read and copy any document Freddie Mac files with the SEC at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC’s web site at <http://www.sec.gov>.

Freddie Mac makes no representations as to the contents of this Official Statement, the suitability of the Offered Bonds for any investor, the feasibility of performance of any project, or compliance with any securities, tax or other laws or regulations. Freddie Mac’s role is limited to discharging its obligations under the GSE Credit and Liquidity Facility.

FREDDIE MAC’S OBLIGATIONS WITH RESPECT TO THE OFFERED BONDS ARE SOLELY AS PROVIDED IN THE GSE CREDIT AND LIQUIDITY FACILITY. THE OBLIGATIONS OF FREDDIE MAC UNDER THE GSE CREDIT AND LIQUIDITY FACILITY WILL BE OBLIGATIONS SOLELY OF FREDDIE MAC, A SHAREHOLDER-OWNED, GOVERNMENT-SPONSORED ENTERPRISE ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA. FREDDIE MAC HAS NO OBLIGATION TO PURCHASE, DIRECTLY OR INDIRECTLY, ANY OF THE OFFERED BONDS, BUT WILL BE OBLIGATED, PURSUANT TO THE GSE CREDIT AND LIQUIDITY FACILITY, TO PROVIDE FUNDS TO THE TRUSTEE TO PAY THE PRINCIPAL OF AND INTEREST ON, AND THE PURCHASE PRICE OF, THE OFFERED BONDS UNDER THE CIRCUMSTANCES DESCRIBED HEREIN. THE OFFERED BONDS ARE NOT A DEBT

OF THE UNITED STATES OF AMERICA, ANY AGENCY THEREOF, OR OF FREDDIE MAC, AND ARE NOT GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES OF AMERICA OR BY FREDDIE MAC.

CALIFORNIA HOUSING FINANCE AGENCY

REOFFERING STATEMENT PART 2 Relating to Multifamily Housing Revenue Bonds III

This Part 2 of this Reoffering Statement (“Statement”) provides certain information concerning the Agency, security for the Bonds, certain Loan insurance programs, the Program and the Agency’s other financing programs. It contains only a part of the information to be provided by the Agency in connection with the issuance or remarketing of certain Series of its Bonds. The terms of the Series of Bonds being issued or remarketed, including the designation, principal amount, authorized denominations, price, maturity, interest rate and time of payment of interest, redemption provisions, and any other terms or information relating thereto are set forth in Part 1 of this Statement with respect to such Series. Additional information concerning the Agency and the loan program financed with the proceeds of Bonds and other moneys available under the Indenture is contained in Part 1 of this Statement. The information contained herein may be supplemented or otherwise modified by Part 1 of this Statement and is subject in all respects to the information contained therein.

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STATEMENT PART 2
of the
CALIFORNIA HOUSING FINANCE AGENCY
relating to
Multifamily Housing Revenue Bonds III

INTRODUCTION

The purpose of this Part 2 of this Statement, which includes the cover page and the appendices hereto, is to set forth certain information concerning the Agency, the Program, and the Bonds in connection with the issuance or remarketing of certain Series of Bonds by the Agency. Each Series of Bonds is issued pursuant to the Act, the General Indenture and a related Series Indenture. All capitalized terms used in this Part 2 and not otherwise defined shall have the respective meanings ascribed thereto in Part 1 of this Statement.

All references in this Statement to the Act, the General Indenture, and any Series Indenture are qualified in their entirety by reference to each such document, copies of which are available from the Agency, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the General Indenture, the applicable Series Indenture and this Statement.

THE AGENCY

Powers

The Agency was created in 1975 by the Act as a public instrumentality and a political subdivision of the State of California (the "State") within the Business, Transportation and Housing Agency, for the primary purpose of meeting the housing needs of persons and families of low or moderate income. The Agency is authorized to issue its bonds, notes and other obligations for a variety of purposes, including (1) making development loans, construction loans, mortgage loans and property improvement loans to qualified borrowers to finance housing developments and other residential structures; (2) purchasing such loans through qualified mortgage lenders; and (3) making loans to qualified mortgage lenders under terms and conditions requiring the proceeds thereof to be used for certain loans.

The Agency may also provide consulting and technical services in connection with the financing of housing developments and may act as a State representative in receiving and allocating federal housing subsidies.

The Act currently provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of \$13,150,000,000, excluding refunding issues and certain taxable securities. In addition, the Act creates (1) the Supplementary Bond Security Account, the equity balance of which as of June 30, 2009 was \$25,516,216 and which has been or may be utilized to secure payment of the principal of and interest and sinking fund payments on Agency bonds and notes; and (2) the California Housing Loan Insurance Fund (the "Insurance Fund"). Amounts on deposit in the Insurance Fund have

been or may be used by the Agency to insure certain loans and bonds. Amounts on deposit in the Insurance Fund are not held under the Indenture.

Management

The Agency is administered by the Board, which consists of 11 voting members when all positions are filled. The State Treasurer, the Secretary of the Business, Transportation and Housing Agency, and the Director of the Department of Housing and Community Development, or their designees, are voting ex officio members. Six members are appointed by the Governor and confirmed by the Senate. One member is appointed by the Speaker of the Assembly. One member is appointed by the Senate Rules Committee. All such appointments are for six-year terms. In addition, the Act provides that the Director of the Department of Finance, the Director of the Governor's Office of Planning and Research, and the Executive Director of the Agency shall serve as non-voting ex officio members of the Board. The Chairperson of the Board is selected by the Governor from among his appointees. Members of the Board are:

| <u>Name</u> | <u>Term Expires</u> | <u>Principal Occupation</u> |
|--|---------------------|--|
| <i>Voting Board Members</i> ^{†, ††} | | |
| Peter N. Carey ^{††} | September 26, 2013 | President/Chief Executive Officer, Self-Help Enterprises |
| Michael A. Gunning | September 26, 2015 | Vice President, Personal Insurance Federation of California |
| Paul C. Hudson | March 6, 2015 | Chairman/CEO, Broadway Federal Bank |
| Jonathan C. Hunter | November 18, 2013 | Managing Director, Region II Corporation for Supportive Housing |
| Barbara Macri-Ortiz ^{†††} | September 26, 2015 | Attorney |
| Jack Shine | September 26, 2013 | Chairman, American Beauty Development Co. |
| Ruben A. Smith | September 26, 2013 | Partner, Adorno Yoss Alvarado & Smith |
| Bill Lockyer | * | State Treasurer |
| Dale E. Bonner | * | Secretary, Business, Transportation and Housing Agency |
| Lynn Jacobs | * | Director, Department of Housing and Community Development |
| <i>Non-Voting Board Members</i> | | |
| [position vacant] | * | Executive Director, California Housing Finance Agency |
| Michael Genest ^{††††} | * | Director, Department of Finance |
| Cynthia Bryant | * | Director, Governor's Office of Planning and Research |

[†] There is currently one vacancy on the Board to be filled by appointment by the Governor and confirmation by the Senate.

^{††} John A. Courson resigned as Chairperson of the Board as of July 25, 2008. Peter N. Carey is currently serving as Acting Board Chair.

^{†††} Subject to confirmation by the Senate.

^{††††} Michael Genest has announced his intention to resign as Director upon appointment of a new Director. Ana Matosantos, currently Chief Deputy Director, is expected to be appointed Director effective December 31, 2009.

* *ex officio*.

Organization and Staff

The Agency is organized into the following divisions under the Executive Director: Homeownership Programs, Multifamily Programs, Mortgage Insurance Services, Financing, Fiscal Services, Office of General Counsel, Legislative, Marketing, Administration, Information Technology and Asset Management.

The Homeownership Programs Division is responsible for directing and administering all of the Agency's single family mortgage purchase and loan programs. The Homeownership Programs Division has a staff of 43 persons.

The Multifamily Programs Division is responsible for underwriting all multifamily direct loans, preparing documentation for loan closings and monitoring the construction of developments financed by direct loans from the Agency. The Multifamily Programs Division has a staff of 34 persons, including loan underwriters, architects and construction inspectors.

Mortgage Insurance Services is responsible for providing a program of loan insurance for mortgage loans to finance single family housing and portfolio management. Mortgage Insurance Services has a staff of 34 persons.

The Financing Division is responsible for all of the Agency's financing activities, including the supervision of note and bond sales, issuances and redemptions, cash flow analyses of the Agency's obligations and the investment of the Agency's funds. The Financing Division has a staff of 14 persons.

The Fiscal Services Division is overseen by the Agency's Comptroller and is responsible for accounting activities, fiscal operations, in-house servicing of loans, and preparation of Agency financial statements. The Fiscal Services Division has a staff of 74 persons.

The Office of General Counsel is responsible for all legal matters that affect the Agency, including review of all contracts and legislation and supervision of loan closings for multifamily developments. The Office of General Counsel also provides legal advice to the Agency's Board of Directors. The office is headed by a General Counsel and an Assistant Chief Counsel, and has 10 staff attorneys and 10 other staff members.

The Legislative Division is responsible for monitoring, tracking, and lobbying legislation impacting the housing arena, both on the State and Federal level. The Legislative Division has a staff of 3 persons.

The Marketing Division is responsible for developing and implementing the Agency's marketing programs and for managing all public information activities such as preparation of the annual report and press releases. The Marketing Division has a staff of 8 persons.

The Administration Division is responsible for directing and administering the Agency's personnel, training, and business services, and preparing the annual budget of the Agency. The Administration Division has a staff of 22 persons.

The Information Technology Division has responsibility for developing, implementing and maintaining the IT infrastructure and application systems supporting the Agency. The Information Technology Division has a staff of 19 persons.

The Asset Management Division is responsible for monitoring the financial and physical status of the Agency's multifamily loan portfolio of 518 projects, as well as occupancy compliance for Section 8 and low income units. The Asset Management Division has a staff of 34 persons.

The Agency's senior staff are listed below.

The position of Executive Director is currently vacant. On December 12, 2008, the Board of Directors of the Agency adopted a resolution delegating to the current Chief Deputy Director powers and authority of the Executive Director to direct and administer the day-to-day operations and activities of the Agency, subject to supervision of the Board. This delegation will expire automatically when a successor Executive Director has been appointed by the Governor and has taken office.

L. Steven Spears, *Chief Deputy Director* since December 2006. B.S., Southern Adventist University; M.B.A., University of Tennessee, Knoxville; J.D., University of the Pacific, McGeorge School of Law. Previously: Special Consultant to CalHFA Executive Director (January 2006); Managing Director, The SAER Group – Kahl/Pownall Companies (2003-2005); Managing Director, The SAER Group – Metropolitan West Securities (1998-2003); California Deputy State Treasurer – Public Finance (1995-1998); Legal Counsel to State Board of Equalization Member, Matthew K. Fong (1991-1995); Senior Consultant to Rebecca A. Morgan – California State Senate (1990-1991); Senior Manager, KPMG Peat Marwick (1985-1990). As described in the preceding paragraph, Mr. Spears is currently exercising the powers and authority of the Executive Director to direct and administer the day-to-day operations and activities of the Agency.

Margaret Alvarez, *Director of Asset Management* since March 1996. B.A., California State University, Chico. Previously: Asset Management Specialist, Federal Home Loan Mortgage Corporation (1994-1996); Senior Asset Manager, FWC Realty Services Corporation (1987-1993); Property Manager, American Development Corporation (1986-1987); Property Manager, Far West Management Corporation (1980-1986).

Robert L. Deaner II, *Director of Multifamily Programs* since September 2007. BBA, Accounting, Western Michigan University, Kalamazoo. Previously: Vice President and Relationship Manager for US Bank (2006-2007); Pacific National Bank and CW Capital, Vice President, Affordable and Market Rate Housing (2004-2006); Key Bank Real Estate Capital, Vice President, National Multifamily Affordable Housing, (1999-2004); various positions in the affordable housing lending industry (1985-1999).

Kenneth H. Giebel, *Director of Marketing* since September 2002. B.S. and M.B.A., University of Santa Clara. Previously: Senior Marketing Manager at the California Lottery (1996-2002); various marketing positions for private sector corporations and advertising agencies.

Bruce D. Gilbertson, *Director of Financing* since July 2004. B.S., California State University, Sacramento. Previously: Comptroller from October 1996 until October 2004; Financing Officer from January 1994 until September 1996; Mortgage Loan Accounting Administrator from February 1988 until December 1993; held various accounting positions with the California State Department of Transportation (1978-1988).

Michael S. Howland, *Chief Information Officer* since February 2005. B.S., San Diego State University. Previously: Assistant Deputy Director, CIO, Office of Technology and Innovation, Department of Managed Health Care (2001-2005); Deputy Director, Program Planning and Performance Division, California Department of Social Services (2000); Deputy Director, CIO, Information Systems Division, California Department of Social Services (1991-1999); Division Chief, Automated Administration Division, Administration Branch, Employment Development Department (1987-1991); also worked as a consultant in the private sector (2000).

Timothy Hsu, *Financing Risk Manager* since January 2005. B.A. Wesleyan University. Previously: Vice President at a major Wall Street investment bank (2003-2004); Financing Officer (2002); Senior Consultant at a leading quantitative consultancy (1995-2001). He earned the Chartered Financial Analyst designation in 2007, and he earned the Financial Risk Manager designation in 2008.

Thomas C. Hughes, *General Counsel* since February 2001. B.A., State University of New York; J.D., University of the Pacific, McGeorge School of Law. Previously: private practice, Kronick, Moskovitz, Tiedemann & Girard, Sacramento (1982-2001); private practice, Iwama & Castro, Sacramento (1978-1982).

Howard Iwata, *Director of Administration* since January 2009. B.A., Political Science, U.C. Berkeley. Previously: Bureau Chief, State Controller's Office (2005-2008); Assistant Executive Director, San Francisco Bay Conservation and Development Commission (1997-2005); Division Administrative Officer, Department of Fish and Game (1991-1997); and various administrative positions for a variety of State agencies (1980-1991).

Charles K. McManus, *Director of Mortgage Insurance* since December 2006. B.A. Harvard University; M.B.A. Harvard Graduate School of Business Administration. Previously: Acting Director of Mortgage Insurance for CalHFA (May 2006); Owner McManus Financial Services (2005 to 2006); SVP Branch Operations for Home American Mortgage (2005); VP Retail Mortgage Production for Ohio Savings Bank FSB (2003-2004); SVP National Account for NCS (2002 -2003); VP Real Estate for American Invsco (2001-2002); SVP Variable Annuities for Annuity Investors Life Insurance (1995-2000); Various mortgage banking and consulting positions (1991-1994); Chief Operating Officer of Mortgage Guaranty Insurance Corporation (1980-1991); SVP Marketing of Verex Mortgage Insurance (1975-1980).

Diane Richardson, *Director of State Legislation* since January 1999. Previously: Deputy Legislative Secretary for Governor Wilson (1998); Director of Legislation for the California Environmental Protection Agency (1997); Deputy Director for Legislation and other positions, Office of Planning and Research (1983-1996); Legislative Aide, California State Assembly (1981-1983).

The position of Comptroller is currently vacant. Howard Iwata, Director of Administration is currently fulfilling the day-to-day duties of the Comptroller as Acting Director of Fiscal Services.

The position of Director of Homeownership Programs is currently vacant. The function of the Director of Homeownership Programs is being performed by an experienced person under contract to the Agency. This position must ultimately be filled by appointment by the Governor.

The Agency's principal office is located at 1415 L Street, Suite 500, Sacramento, California 95814, (916) 322-3991.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the Agency, payable out of the Revenues and assets pledged under the Indenture and also payable from any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys. The Secured Obligations (which include the payment when due of principal of and interest on the Bonds) are secured by a pledge of and first lien on the following specific revenues and assets of the Agency (the "trust estate"):

- (1) All of the right, title and interest of the Agency in, to and under the Loans financed pursuant to the Indenture;
- (2) All of the Revenues, other than Rebatable Arbitrage (see the definition of Revenues under "Summary of Certain Provisions of the Indenture — Certain Defined Terms");
- (3) All proceeds of the sale of the Bonds;
- (4) All Accounts established pursuant to the Indenture (other than the Bond Purchase Account and the Rebate Account) and the moneys and securities therein; and
- (5) All property which is by the express provisions of the Indenture required to be subjected to the lien thereof; and any additional property that may, from time to time by delivery or by writing of any kind, be subjected to the lien thereof, by the Agency or by anyone on its behalf;

in each case subject to the provisions of the Indenture permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

Under the Indenture, the Agency covenants not to create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues or other security for the Secured Obligations, prior to or on a parity with the lien of the Indenture, except for Series of Additional Bonds which may be issued from time to time on a parity with the Offered Bonds and any other Bonds and Secured Obligations previously issued. See "Additional Bonds" below.

The pledge and security interest of the Indenture in the trust estate are subject to the power of the Agency to direct the release of Revenues free and clear of such pledge and security interest if the Agency delivers to the Trustee a certificate complying with the requirements of the Indenture. See “Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account.”

Upon the occurrence and continuation of an Event of Default under the Indenture, the Trustee has available to it various remedies, including those provided by the Indenture. Such remedies do *not* include declaring all Bonds to be immediately due and payable. See “Summary of Certain Provisions of the Indenture — Remedies.” A failure by the Agency to pay scheduled debt service on its general obligations (other than the Bonds) when due is *not* an Event of Default under the Indenture. See “Summary of Certain Provisions of the Indenture — Events of Default.”

The Bonds are general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys. The Bonds shall not be deemed to constitute a debt or liability of the State or any political subdivision thereof, other than the Agency, or a pledge of the faith and credit of the State or any such political subdivision other than the Agency. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the Bonds.

See “Certain Investor Considerations” below.

Loans

Each Borrower Loan shall, among other things, (1) be evidenced by a Note and secured by a Deed of Trust which shall constitute and create a lien of any priority (subject to permitted encumbrances acceptable to the Agency) on the real property or interest therein of the multifamily rental housing development with respect to which the Loan is made (each, a “Development”); (2) be the subject of a title insurance policy in the full amount of the Loan insuring that the Deed of Trust constitutes and creates a lien of any priority (subject to permitted encumbrances acceptable to the Agency) on the real property or interest therein of such Development; and (3) be made to a Borrower who is eligible under the Act. See Appendix A to this Part 2 and “Program Procedures.”

Loans are permitted, but are not required, to be insured, including insurance pursuant to the Risk Sharing Act, or to be in the form of a Mortgage-Backed Security. See Appendix A to this Part 2 for a list of Developments that have received firm approval for insurance under the Risk Sharing Act and for a list of those Loans that are insured under the Risk Sharing Act or are covered by other FHA insurance. See also “Insurance Under the Risk Sharing Act” and “Other FHA Insurance.”

The Indenture does not require any restriction on the Borrower’s ability to prepay its Loan in whole or in part at any time, but for loans originated prior to July 1, 2006, the Agency’s

general policy was to include in loan documents a prohibition against voluntary loan prepayments without the express written consent of the Agency. For many loans originated on or after July 1, 2006, the Agency's general policy is that loan prepayments are permitted after the 15th year or the qualified project period with a written 120-day notice. With respect to the Developments that receive HUD Section 8 rent subsidies (the "Section 8 Developments") that are allocated to the Agency's Multifamily Housing Revenue Bonds III, 1998 Series C and three of the Developments that are allocated to the Agency's Multifamily Housing Revenue Bonds III, 2001 Series D, the related loan documents may or may not include a prohibition against voluntary loan prepayments without the express written consent of the Agency. Generally, the Agency has withheld its consent to voluntary prepayments for loans originated prior to July 1, 2006. With respect to the rest of the Section 8 Developments that are allocated to the Agency's Multifamily Housing Revenue Bonds III, the related loan documents prohibit voluntary loan prepayments without the express written consent of the Agency. See "Summary of Certain Provisions of the Indenture — Loan Principal Prepayments." See also Appendix A to this Part 2.

Loans may also be terminated prior to their respective final maturities as a result of events such as default, loan workouts, condemnation or casualty loss. Under the General Indenture, any Loan Principal Prepayments may be reinvested in Loans, invested in Investment Obligations or used to redeem Bonds; *provided, however*, that Loan Principal Prepayments may be deposited to a Program Account to make new Loans only if the Agency files with the Trustee a certificate stating that (1) either (a) such deposit will have no material adverse impact on the Agency's ability to pay all Secured Obligations when due or (b) after such deposit, Revenues and other amounts then pledged under the Indenture are projected to be sufficient to pay all Secured Obligations when due and (2) making such deposit is not in violation of any related Series Indenture or, to the extent applicable, the Risk Sharing Act. Applicable federal tax law also imposes restrictions on the Agency's ability to use Loan Principal Prepayments to make new Loans.

Loan Principal Prepayments which may be received with respect to construction loans, acquisition/rehabilitation loans, lender loans and bridge loans and amounts on deposit in the Revenue Account received with respect to construction loans, lender loans and bridge loans and not needed to pay required rebate, certain Program expenses and scheduled debt service on the Bonds and to fund the Bond Reserve Account and the Loan Reserve Account to their respective requirements, generally are expected to be applied to the redemption of Bonds, including the Offered Bonds. See "Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account."

Certain Factors Affecting the Loans

In estimating the amount of moneys available to pay principal of and interest on the Bonds, a number of assumptions were made, including the assumptions that (1) payments of principal of and interest on the Loans will be available on a timely basis and (2) Loan Principal Prepayments made from casualty insurance or condemnation proceeds or otherwise, which result in the Agency's having to redeem Bonds, will be sufficient to pay the principal amount of Bonds allocable to such Loans. The Agency believes that the above assumptions are reasonable, but no assurance can be given that actual receipts will correspond with estimated revenues.

In the event of the failure of a Borrower to make the required payments under its Loan Documents, the Agency may institute foreclosure or other recovery proceedings. The Agency cannot assure that the amount received in a foreclosure or other recovery proceeding will be sufficient to pay principal of and interest on the allocable portion of the Bonds.

Pursuant to Section 142(d) of the Code, at least 20% (or, at the election of the Agency, 40%) of the units in each Development financed by certain Loans must be occupied, or held available for occupancy, on a continuous basis by individuals or families whose income does not exceed 50% (or, if the Agency elects to set aside 40% of the units as described above, 60%) of area median income, as adjusted for family size. (Compliance with the income limitations is measured by reference to “very low income,” which income standards are determined by HUD.)

Pursuant to Section 145 of the Code, the Developments financed by certain Loans must either (1) be owned and operated by a qualified nonprofit Borrower under Section 501(c)(3) of the Code (a “501(c)(3) Borrower”) so that ownership and operation are not a trade or business unrelated to the charitable purpose of the Borrower or (2) be owned by a governmental entity or instrumentality. In either event, a substantial percentage (more than 20%) of the units in each such Development will be restricted to occupancy by low or very low income individuals or families.

Pursuant to Section 51335 of the Act, at least 20% of the units in each Development financed by a Loan must be available for occupancy on a priority basis by “lower income households.” Not less than half of such reserved units must be available for occupancy on a priority basis by “very low income households.” Compliance with such income limitations is made by reference to the income limitations established and amended from time to time pursuant to Section 8 of the United States Housing Act of 1937.

A default by a Borrower in its obligations under the documents evidencing or securing its Loan, including the obligation to comply with the requirements of the Act or Section 142(d) or Section 145 of the Code, may result in acceleration of the Loan and redemption of a portion of the Bonds. See Part 1 “Tax Matters.”

Reserve Accounts

As of September 30, 2009, the sum of all Bond Reserve Account Requirements for all Series is \$3,170,308 and the balance on deposit in the Bond Reserve Account is \$3,170,310, consisting of a surety bond providing coverage in such amount. After providing for the payment of required rebate deposits, fees and charges due and payable to the Trustee and any Paying Agent or Credit Provider and amounts required to be on deposit for the payment of principal of and interest on the Bonds, amounts in the Revenue Account are required to be applied to the Bond Reserve Account if and to the extent that the amount on deposit therein is less than the sum of all Bond Reserve Account Requirements established for all Series. The priority of drawings among letters of credit, surety bonds or other sources of moneys in the Bond Reserve Account will be determined by the Agency. It is not a condition to the issuance of a Series of Additional Bonds that the amount credited to the Bond Reserve Account be equal to the sum of all Bond Reserve Account Requirements for all Series. See “Security for the Bonds — Additional Bonds” and “Summary of Certain Provisions of the Indenture — Establishment and Application of

Accounts — Bond Reserve Account.” Moneys credited to the Bond Reserve Account may be used only to meet deficiencies in the Bond Account in the event that the amount of such deficiencies is not available in the Revenue Account, the Redemption Account (to the extent of moneys with respect to which notice of redemption has not been given), the Program Account (to the extent designated by the Agency) or the Loan Reserve Account; except that any amounts in excess of the sum of all Series Bond Reserve Account Requirements may, upon request of the Agency, be transferred to the Revenue Account or the Redemption Account and that under certain circumstances, amounts in the Bond Reserve Account may be applied to the purchase or redemption of all Bonds then Outstanding.

After providing for the payment of required rebate deposits, fees and charges due and payable to the Trustee and any Paying Agent or Credit Provider, amounts required to be on deposit for the payment of principal of and interest on the Bonds and amounts required so that the amount on deposit in the Bond Reserve Account is at least equal to the sum of all Bond Reserve Account Requirements established for all Series, amounts in the Revenue Account are required to be applied to the Loan Reserve Account if and to the extent that the amount on deposit therein is less than the sum of all Loan Reserve Account Requirements established for all Series. There is no Loan Reserve Account Requirement with respect to the Offered Bonds nor with respect to any other Series currently Outstanding. It is not a condition to the issuance of a Series of Additional Bonds that the amount credited to the Loan Reserve Account be equal to the sum of all Loan Reserve Account Requirements for all Series. See “Security for the Bonds — Additional Bonds” and “Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Loan Reserve Account.”

Additional Bonds

Under the Indenture, the Agency covenants not to create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Revenues, the Property or other security for the Bonds prior to or on a parity with the lien of the Indenture, except that any Series of Additional Bonds may be issued from time to time pursuant to a Series Indenture on a parity with the Offered Bonds and any other Bonds previously issued, and secured by an equal charge and lien on the Revenues or other security for the Bonds and payable equally and ratably from the Accounts established and created pursuant to the Indenture. Additionally, the Agency may enter into any Hedging Instrument or any agreements with a Credit Provider pursuant to which payments from the Agency (but only for Secured Obligations) may be secured on a parity with the Bonds.

No Series of Additional Bonds shall be issued subsequent to the remarketing of the Offered Bonds unless

- (1) the Principal Amount of the Additional Bonds then to be issued, together with the Principal Amount of the Bonds and other obligations of the Agency theretofore issued, will not exceed in aggregate Principal Amount any limitation thereon imposed by law;
- (2) at the time of the issuance and delivery of the Series of Additional Bonds, other than Bonds issued and delivered in accordance with the Indenture to refund any

Outstanding Bonds of one or more Series or to refund any other obligations of the Agency or any other entity designated by the Agency (“Refunding Bonds”), and the application of the proceeds thereof, there shall be no deficiency in the Bond Account;

(3) upon the issuance of such Bonds, Revenues and other amounts then pledged under the Indenture are projected to be sufficient to pay all Secured Obligations when due; and

(4) the issuance of such Bonds will not result in the reduction, suspension or withdrawal of the Unenhanced Rating then assigned to any of the Series by each Rating Agency for such Series.

In the Indenture, the Agency expressly reserves the right to adopt one or more general or special bond resolutions or to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations so long as the same are not a charge or lien prohibited as described in the first paragraph under this caption “Additional Bonds.” The Agency expressly reserves the right to authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, (1) are payable from Revenues after and subordinate to the payment from Revenues of the Secured Obligations, or (2) are payable from moneys which are not Revenues as such term is defined in the Indenture. See Appendix B to this Part 2.

CERTAIN INVESTOR CONSIDERATIONS

This section of the Statement describes certain factors and considerations that may affect the security and sources of payment for the Bonds. The following discussion is not meant to present an exhaustive list of the risks associated with the purchase of any Offered Bonds (and other considerations that may be relevant to particular investors) and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors and considerations, along with all other information contained or incorporated by reference in this Statement, in evaluating whether to purchase the Offered Bonds.

General

The Bonds are general obligations of the Agency, payable from the Revenues and other assets pledged therefor under the Indenture, and also payable out of any other assets, revenues or moneys of the Agency, subject only to any agreements of the Agency pledging any particular assets, revenues or moneys. The California Housing Finance Fund (the “Housing Finance Fund”) had total fund equity of approximately \$1.75 billion as of June 30, 2009. Of such amount, approximately \$534 million was restricted to various bond programs (including approximately \$72.5 million relating to the Indenture) and approximately \$448 million was restricted to specific uses under the terms of the State programs pursuant to which such amounts were transferred to the Housing Finance Fund. See generally Appendix C to this Part 2 — “Financial Statements of the Agency for the Years Ended June 30, 2009 and 2008.”

The Agency's profitability and equity have declined during fiscal year 2009 and in the following months, and its general obligation credit has been negatively impacted. The Housing Finance Fund experienced an operating loss before transfers of \$146.1 million during fiscal year 2009, its first such net loss on an annual basis. The decrease was mostly due to basis mismatch on variable rate bonds and the charges against income for the market value adjustment of unmatched swaps, early termination of interest rate swaps; the decline of the California real estate market, "gap claim" (single family loan supplemental insurance) payments and anticipated losses of the loan portfolio. The continued rise in loan delinquencies, increases in foreclosures and additional home price depreciation in California have contributed directly to the increases in allowance for loan losses and insurance reserves. See the Agency's "Management Discussion and Analysis of Financial Position and Results of Operations as of and for the Fiscal Year Ended June 2009 and 2008" contained in Appendix C to this Part 2 beginning at page C-3.

On February 27, 2009, S&P changed its outlook on the Agency's issuer credit (i.e., general obligation) rating (and consequently its outlook on the Bonds) from positive to negative. On October 29, 2009, S&P affirmed its "AA-" issuer credit rating of the Agency (and consequently its rating on the Bonds), and such rating remains on CreditWatch with negative implications. On July 22, 2009, Moody's downgraded its issuer credit rating of the Agency (and consequently its rating on the Bonds) from "Aa3" to "A1" with "negative outlook."

Certain risks with respect to the Agency's general obligation credit are described below.

Liabilities

Uncertainties in Financial Markets

Uncertainties, disruptions or volatility in the financial markets, including but not limited to credit or liquidity provider credit rating downgrades, swap provider credit rating downgrades, defaults under swap agreements, downgrades or defaults under investment agreements, substantial fund flows into or out of the variable rate bonds markets, and other factors, can affect the Agency's profitability, fund equity and liquidity. Although the Agency, in the course of administering its programs, has established criteria based on the credit ratings of counterparties with whom the Agency may be dealing, such ratings reflect only the views of the respective rating agency, and a high credit rating is not a guarantee of performance by any such counterparty. See Appendix B to this Part 2.

Risks Relating to Variable Rate Bonds

General. As of January 1, 2010, approximately \$862.55 million principal amount of the Outstanding Bonds (approximately 78.5%) will be variable rate Bonds, including approximately \$691.21 million principal amount of Liquidity Facility Bonds and approximately \$108.60 million principal amount of Auction Rate Bonds. The balance of the Bonds as of such date consisted of approximately \$236.28 million principal amount of fixed rate bonds, and approximately \$62.75 million principal amount of non-fixed rate bonds (other than Auction Bonds) which by their terms were not required to be covered by a liquidity facility. During the month of January, 2010, the Agency expects to replace all of the current Liquidity Facilities supporting Liquidity Facility Bonds under the Indenture with one or more Credit and Liquidity Facilities (collectively, the

“GSE Credit and Liquidity Facilities”) provided by Fannie Mae and Freddie Mac under the Temporary Credit and Liquidity Program sponsored by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency and Treasury as part of the HFA Initiative.

Failure of Auctions and Remarketings. Liquidity Facility Bonds that are not remarketed upon optional or mandatory tender, including mandatory tender upon expiration of a liquidity facility that has not been renewed or replaced, are purchased by the applicable liquidity provider and become “Bank Bonds.” The Agency has over the past two years experienced failed remarketings with respect to certain Liquidity Facility Bonds, which has caused fluctuations in the amount of Bank Bonds held by the related liquidity providers. Currently, no Bonds under the Indenture are Bank Bonds, down from a peak of \$357 million principal amount of Bank Bonds in October 2008. See Appendix B to this Part 2. Since September 2008, there has not been a successful auction with respect to Auction Rate Bonds held under the Indenture, and all such Bonds currently bear interest at their respective Maximum Rate.

Principal Payment Requirements for Bank Bonds. Under the terms of certain types of liquidity facilities, a failure to successfully remarket certain Bank Bonds for a period of time will trigger “term-out” provisions requiring such Bank Bonds to be redeemed in installments over periods varying from two to ten years, depending on the liquidity facility terms. The GSE Credit and Liquidity Facilities have a ten-year term-out period without required installments, but require all Bank Bonds to have been retired by the end of the tenth year after expiration of the GSE Credit and Liquidity Facilities. The redemption of Bank Bonds subject to such term-out provision is a general obligation of the Agency. The Agency has not structured the maturities and Sinking Fund Installments with respect to Liquidity Facility Bonds assuming that such Bonds would become Bank Bonds and be subject to such mandatory redemption. See Appendix B to this Part 2.

Rollover Risk with Respect to Liquidity Facilities. The GSE Credit and Liquidity Facilities are scheduled to expire December 23, 2012. The Agency may seek to replace the GSE Credit and Liquidity Facilities with other Liquidity Facilities prior to such date. When Liquidity Facilities, including the GSE Credit and Liquidity Facilities expire, the Agency may be not be able to replace such facilities, or may only be able to replace them by paying significantly higher periodic liquidity facility fees. In the alternative, if no replacement facility is available, the related Bonds are subject to mandatory tender and the Agency may elect to cause such Bonds to bear interest at an Auction Rate, a Fixed Interest Rate or an Indexed Rate. If one of those alternatives is not implemented, the Liquidity Facility Bonds are purchased by the applicable liquidity provider and become “Bank Bonds,” which, if not successfully remarketed for a period of time, become subject to redemption as described under “Principal Payment Requirements for Bank Bonds.” Bank Bonds generally bear interest at higher rates than variable rate bonds that have been successfully remarketed. Bank Bonds under the GSE Credit and Liquidity Facilities will bear interest at a rate not less than the prime rate of JPMorgan Chase Bank, National Association plus 1.0%

The periodic fee for the GSE Credit and Liquidity Facilities increases each year (from 0.70% of the outstanding bond amount in the first year to 1.00% in the second year and 1.20% in the third year), and periodic fees for any available replacement facilities may also be higher. All

such fees alluded to in the preceding sentence are substantially higher than were assumed in the original Cash Flow Statements, which Cash Flow Statements also did not assume Bank Bonds.

Unhedged Variable Rate Bonds. As of January 1, 2010, approximately \$253 million principal amount of the Outstanding variable rate Bonds will remain unhedged. The interest rates on such Bonds may vary substantially, depending on market conditions, the credit quality of credit and liquidity providers and the success of the remarketing agent in remarketing Bonds that are tendered for purchase. The net cost of unhedged variable rate Bonds may be higher or lower than hedged Bonds in any given period. The original cash flows for Series with variable rate Bonds may not have assumed interest rates as high as those actually experienced from time to time.

Risks with Respect to Interest Rate Swaps

The Agency has entered into interest rate swap agreements relating to a portion of its variable rate Bonds. See Appendix B to this Part 2.

“Basis” Risk. The purpose of the Agency’s swap agreements is to place the aggregate net obligation of the Agency with respect to the portion of the Program financed by such Bonds on an approximately fixed-rate basis. Generally, the Agency’s payments to the counterparty are determined on a fixed rate basis and the counterparty’s payments to the Agency are determined on the basis of a variable index designed to match as closely as practicable the variable rates to be paid from time to time by the Agency on the related Bonds. For a number of possible reasons, at any time the actual variable rate paid by the Agency on a Series of Bonds may be higher than the variable index determining the Agency’s receipts under the related swap agreement. The risk of such a mismatch is commonly known as “basis risk.” The reasons for basis risk include, but are not limited to, general market disruptions, unexpected or unusual changes in the relationship between taxable and tax-exempt rates, and financial problems encountered by the providers of Liquidity Facilities relating to such Bonds (including credit rating downgrades) and other rating actions related to the Bonds.

Net payments made to the counterparties by the Agency under the swap agreements related to the Bonds are Secured Obligations under the Indenture, generally on a parity with debt service on the Bonds. Net receipts derived by the Agency under the swap agreements related to the Bonds are pledged Revenues under the Indenture. See “Security for the Bonds — General.” The original cash flows for Series with variable rate Bonds generally assumed that the variable index with respect to a swap agreement would equal the actual variable rate paid on the related Bonds and have not assumed any basis risk. The net amount of basis mismatch paid to counterparties by the Agency for swap agreements related to the Bonds was approximately \$5.07 million during 2007, \$10.62 million during 2008, and \$8.37 million during the first nine months of 2009.

Net payment obligations to the counterparties by the Agency under all swap agreements to which the Agency is a party (including those related to the Bonds) are general obligations of the Agency. With respect to all swap agreements to which the Agency is a party (including those related to the Bonds), the net amount of basis mismatch paid to counterparties by the Agency

(which is a general obligation of the Agency) was approximately \$10.4 million during 2007, \$31.50 million during 2008, and \$33.9 million during the first nine months of 2009.

Termination Risk. “Termination Risk” is the risk that an interest rate swap is terminated prior to its scheduled amortization under circumstances that require a termination payment be made by one of the counterparties. The Agency’s swap agreements provide for a number of termination “events,” i.e., circumstances under which the swaps may or must be terminated early. Such events include, for example, a bankruptcy or payment default or a reduction in a counterparty’s credit ratings with a failure of such counterparty to post sufficient collateral to offset its credit problem. If a termination is required, then-current market conditions (but not the party or condition that caused the termination) generally determine both the amount of and the counterparty required to make the termination payment. Under historically low interest rate environments such as the current one, swap terminations are more likely to result in a net payment due from the Agency to a counterparty. A swap whose termination would result in a significant net payment due from the Agency to a counterparty is a disincentive to retirement of the associated variable rate bonds. Termination payments, if any, made to the counterparties by the Agency under the swap agreements related to the Bonds are Secured Obligations under the Indenture, generally on a parity with debt service on the Bonds and are general obligations of the Agency. Termination payments, if any, made to the counterparties by the Agency under all swap agreements to which the Agency is a party (including those related to the Bonds) are a general obligation of the Agency. Had all of the swaps to which the Agency is a party (including those related to the Bonds) terminated as of October 1, 2009, the amount of such net payments due from the Agency to the associated counterparties would have been approximately \$294.9 million.

As a result of the 2008 bankruptcy filing of Lehman Brothers, all of the Agency’s swap agreements with Lehman Brothers were terminated and some were replaced with swaps with other counterparties. The net effect of such terminations and replacements was an operating loss to the Agency of \$13.7 million. In addition, generally accepted accounting principles require the Agency to record the current market value of the unmatched portion or overhedged interest rate swap position as an adjustment to other expenses or other revenues, on the income statement. As of June 30, 2009, the swap expense (net current market value) for these overhedged positions was \$9.4 million, based on an aggregate notional amount unmatched interest rate swap position of \$237.9 million.

Risk of Collateral Posting. Generally the Agency’s swap agreements require that the parties to the agreements post collateral to secure their payment obligations under the agreements under certain circumstances. Each party is typically required periodically to post eligible collateral in favor of the other party (the “Secured Party”) in the event that the termination payment that would be owed to the Secured Party if the agreement were terminated on the date of measurement exceeds a certain threshold established under the contract. These thresholds, which constitute the maximum uncollateralized exposure of either party to the other party, are scaled to be higher for higher-rated parties and lower for lower-rated parties. Reductions in the Agency’s issuer credit rating could result in the Agency being required to post substantial amounts of collateral to the counterparties under its swap agreements, which could impair the liquidity of the Housing Finance Fund. In July 2009, the Agency reduced the aggregate notional amount of its interest rate swap agreements by approximately \$238 million by paying approximately \$39 million to two counterparties to terminate certain swap agreements, and

voluntarily posted collateral valued at approximately \$18 million in favor of a third counterparty, in exchange for revising the threshold levels at which the Agency would be required to post collateral under its swap agreements with the three counterparties if the Agency's general obligation credit rating were to be downgraded. The Agency cannot offer any assurances regarding future actions by the Rating Agencies or any collateral posting requirements that might result from such actions.

Risks Relating to the Insurance Fund

The Insurance Fund, a separate statutory fund administered by the Agency, provides mortgage insurance coverage for certain of the single-family mortgage loans held under the Agency's Home Mortgage Revenue Bonds Indenture (the "HMRB Indenture"), but does not provide coverage of any Loans under the Indenture. The HMRB Indenture requires insurance coverage of each loan thereunder equal to 50% of the principal amount thereof. As of September 30, 2009, approximately 41.7% of the mortgage loans held under the HMRB Indenture, with an aggregate outstanding principal balance of approximately \$2.6 billion, are the subject of primary mortgage insurance provided by the Insurance Fund. Genworth Mortgage Insurance ("Genworth") currently reinsures 75% of the primary mortgage insurance coverage provided by the Insurance Fund. On February 13, 2009, Moody's downgraded its rating of Genworth from "A2" to "Baa2." On April 8, 2009, S&P downgraded its rating of Genworth from "A+" to "BBB+," and on December 22, 2009, S&P downgraded such rating to "BBB-" with negative outlook. As of September 30, 2009, the overall delinquency ratio of mortgage loans in the Agency homeownership portfolio with primary mortgage insurance provided by the Insurance Fund was 22.0%, compared to 12% as of December 31, 2008 and 4.90% as of December 31, 2007. The Agency estimates, based on recent recoveries following HMRB Indenture mortgage loan foreclosures and property dispositions, that home property values within the Agency's portfolio may have decreased by 40% or more from their peak in 2007.

The Agency supplements primary mortgage insurance coverage, if any, by providing mortgage insurance from the Insurance Fund so that the combination of all primary mortgage insurance coverage with respect to such HMRB Indenture mortgage loan and such mortgage insurance provided by the Agency through the Insurance Fund ("Supplemental Coverage") provides mortgage insurance coverage with respect to such mortgage loan in an amount at least equal to 50% of the unpaid principal balance of such mortgage loan. The Agency has currently agreed, subject to certain limitations, to indemnify the Insurance Fund for payments made in respect of such Supplemental Coverage. Such indemnification is payable from certain available funds of the Agency (i.e., moneys in the Housing Finance Fund not otherwise obligated or restricted, but only to the extent made available under an agreement between the Insurance Fund and the Housing Finance Fund, as such agreement may be in effect from time to time). Before 2008, the Agency made virtually no indemnity payments in respect of Supplemental Coverage. The Agency made \$1,094,636 of such payments in 2008 and \$13,640,323 of such payments during the first nine months of 2009. The Agency also extends a line of credit to the Insurance Fund, which is subject to annual review and may be further revised from time to time by the Agency. The Agency may at any time, and from time to time, increase, reduce or otherwise modify or terminate either or both of such commitments. On June 22, 2009 the Agency reduced such line of credit from \$100 million to \$10 million. On July 2, 2009, S&P downgraded its rating of the Insurance Fund from "A+" to "BBB" with negative outlook.

The Insurance Fund had total fund equity of approximately \$12.4 million as of September 30, 2009 (unaudited), approximately \$54.1 million as of December 31, 2008, and approximately \$71 million as of December 31, 2007. The Insurance Fund experienced an operating loss of approximately \$16.9 million in 2008, primarily due to increased reserves for loan losses. In 2007, the Insurance Fund paid total claims of approximately \$172,927, of which \$0 constituted Supplemental Coverage subject to reimbursement by the Agency. In 2008, the Insurance Fund paid claims totaling \$5,179,068 (after receipt of reinsurance payments from Genworth), of which \$1,094,636 constituted Supplemental Coverage payments reimbursable by the Agency. The Insurance Fund has paid claims totaling \$29,762,657 (after receipt of reinsurance payments from Genworth) in the first nine months of the calendar year 2009, of which \$13,640,323 constituted Supplemental Coverage payments reimbursable by the Agency.

Assets

Uncertainties in Mortgage and Real Estate Markets

The mortgage and residential real estate markets periodically face uncertainties that create risk for market participants, including the Agency. General market uncertainties that exist from time to time include interest rate volatility, changes in tolerance for credit risk, unavailability of certain mortgage products, decline or instability in residential real estate values, concerns about the financial health and market participation of secondary mortgage market participants, changes in legislative requirements relating to mortgage lending disclosure and the exercise of mortgage remedies, the health of various financial institutions, insurance companies and other market participants and the health of the residential construction industry. Many sectors of the California residential real estate market have recently experienced, to varying degrees, increasing mortgage loan delinquency and foreclosure rates and declines in the market value of residences.

The overall delinquency ratio of the Agency's single family loan portfolio was 7% as of June 30, 2008; such delinquency ratio was 14% as of June 30, 2009; and such delinquency ratio was 16.7% as of September 30, 2009. The Agency recorded \$4.1 million of losses in fiscal year 2009 on the sale of foreclosed properties (net of insurance payment). The remaining foreclosed properties were written down by \$15.1 million to reflect anticipated losses, net of insurance payment, upon sale of the foreclosed properties.

Risks with Respect to Investment Securities

Funds and accounts under the Indenture are permitted to be invested in Investment Securities. See "Summary of Certain Provisions of the Indenture — Investment of Funds." If the obligor on an Investment Security were to encounter financial problems, payments could be delayed and/or losses could occur.

As of September 30, 2009, approximately \$26.21 million held in funds and accounts under the Indenture (approximately 14.7% of all such amounts) were invested in investment agreements with providers rated "Aaa" by Moody's and not rated by S&P. As of September 30, 2009, approximately \$9.26 million held in funds and accounts under the Indenture (approximately 10.5% of all such amounts) were invested in investment agreements with a

provider rated “AA-” by S&P and “A1” by Moody’s, and approximately \$4.04 million held in funds and accounts under the Indenture (approximately 4.6% of all such amounts) were invested in investment agreements with a provider rated “A+” by S&P and “Aa2” by Moody’s. As of September 30, 2009, approximately \$61.66 million held in funds and accounts under the Indenture (approximately 70.2% of all moneys held in funds and accounts under the Indenture) were invested in the Surplus Money Investment Fund (“SMIF”), a portion of the California Pooled Money Investment Account (“PMIA”) managed by the Treasurer of the State of California. See Appendix B to this Part 2 for certain information with respect to amounts invested under the Indenture. For more information regarding the investment guidelines governing PMIA, contact the Trustee.

Certain General Risks

Risks Relating to Assumptions and Projections

Certain information in this Statement and in designing and administering its programs is based upon projections and assumptions about, among other things, the level of defaults, foreclosures and losses on loans, the financial health of the providers of insurance on the loans, the interest rates on variable rate bonds, and the effectiveness of the Agency’s hedging strategies with respect to variable rate bonds. In addition, the structuring of each series of bonds and the preparation of cash flows involves the making of similar projections and assumptions. These projections and assumptions are subject to risks and uncertainties, including risks and uncertainties outside the control of the Agency. The accuracy of such projections and assumptions is subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from such projections and assumptions. Differences in actual results from projections may be difficult to recognize in a timely manner for purposes such as the adjustment of requirements relating to loans. Material differences could result in a variety of unpredictable consequences which could adversely affect the ability of the Agency to pay debt service on the bonds.

Uncertainties With Respect to Additional Bonds or New Programs

Additional bonds could be structured in ways that create additional risks. While the Agency indentures require cash flows to be delivered in connection with the issuance of any additional bonds, cash flows are not a guarantee of performance. In addition, the Agency has reserved the right to implement new programs, including new multifamily mortgage finance programs, by means of a new indenture, under which could be issued new bonds that are separately secured from bonds issued under existing indentures. Implementing such a new program may result in reduced flexibility to correct any cash flow problems that might materialize under existing indentures. Even without the creation and implementation of such new programs, a similar reduction in flexibility could result if issuances under existing indentures ceased.

Possible Federal or State Legislation Relating to the Rights of Mortgagors

Congress and the State Legislature have enacted and could enact further legislation that adversely affect the timing and amount of the Agency’s recoveries from mortgage loans and

thereby adversely affect the availability of amounts for the payment of debt service on its bonds. For example, on January 6, 2009, the “Helping Families Save Their Homes in Bankruptcy Act” was introduced in Congress. If enacted in its initial form, the bill would have amended the bankruptcy code to allow judges, in certain circumstances, to modify the terms of existing primary residence mortgage loans by lowering the principal balances of and interest rates on such loans by extending the terms of such loans. While that provision was not enacted, it is possible future legislation might do so. The enacted legislation did require that a foreclosing lender must honor the lease of a bona fide tenant, and must give a longer notice of termination of tenancy than existing state law provides. Also, the State Legislature enacted legislation modifying the procedures for foreclosure and sale under a residential deed of trust, the result of which is to delay the completion of foreclosure proceedings at least one month. The Agency cannot predict whether any further legislation will be enacted or, if it is enacted, what effect it would have on the revenues received by the Agency from mortgage loans. The Agency also cannot predict whether mortgage insurance would cover any losses sustained by the Agency as a result of the passage of any such legislation.

INSURANCE UNDER THE RISK SHARING ACT

Pursuant to the Risk Sharing Agreement by and between the Agency and HUD dated April 26, 1994 (the “Risk Sharing Agreement”), HUD (through FHA) has agreed to insure any Loans reviewed and approved for that purpose by the Agency. The Risk Sharing Act as presently enacted requires that the Agency must use proceeds of insurance under the Act to redeem Bonds of the related Series. In the event of a loan default, the Risk Sharing Agreement requires the Agency to share with HUD in any loss arising as a consequence of the loan default. The following summary is qualified in its entirety by reference to the mentioned regulations, the Risk Sharing Act and sections of the National Housing Act, as amended (12 U.S.C. §1701 *et seq.*) (the “National Housing Act”).

Subsection 542(c) of the Risk Sharing Act authorizes the HUD Secretary to enter into risk-sharing agreements with qualified state or local housing finance agencies (“HFAs”). The program allows HFAs to carry out certain HUD functions under the program, including the assumption of loan management and property disposition responsibilities for defaulted loans. The program is designed to increase the supply of affordable multifamily units by allowing HFAs to originate and service mortgage loans that are fully insured by FHA. Under the program participating HFAs are required to reimburse FHA for a portion of losses that may be incurred as a consequence of any loan defaults. The Risk Sharing Agreement provides that HUD will fully insure any Loans selected for that purpose by the Agency, and for reimbursement to HUD by the Agency for a portion of any losses incurred on such insured Loans. The Agency is qualified to elect a range of percentages of the risk of loss related to any defaulted insured Loans. Currently, the Agency intends to elect a 50% risk of loss, but may elect 60%, 70%, 80% or 90%.

Under the Risk Sharing Act and the Risk Sharing Agreement, in the event that the rating on any general obligation of the Agency falls below “A”, the Agency will be required to immediately establish and maintain a reserve account (at a minimum level of \$500,000) that may only be drawn upon by HUD to satisfy any of the Agency’s obligations under the Risk Sharing Agreement.

HUD Regulations under the Risk Sharing Act define an event of default under a mortgage insured pursuant to the Risk Sharing Act as failure to make any payment due under the mortgage, or failure to perform any other mortgage covenant (which includes covenants in the related regulatory agreement) if the mortgagee, because of such failure to perform such other mortgage covenant, has accelerated the debt. In the event of a payment default continuing for a period of 30 days, the Agency must, in order to preserve its right to insurance benefits, give notice to the Federal Housing Commissioner of the default and of its intention to file an insurance claim. Within 75 calendar days from the date of default (unless an extension is granted by HUD), the Agency must file an application for initial claim payment. Pursuant to the Indenture, the Agency has covenanted to take all necessary actions to realize the benefit of any insurance in the event an insured Loan becomes a defaulted Loan.

In the event of a default on an insured Loan and the filing of a claim for FHA insurance, FHA will pay mortgage insurance benefits in cash in an amount equal to the sum of (a) the unpaid principal amount of the defaulted insured Loan computed as of the date of default and (b) interest on the insurance proceeds from the date of default to the date of initial claim payment at the defaulted insured Loan rate, less any delinquent mortgage insurance premiums and late charges and interest attributable to such delinquent mortgage insurance premiums.

When FHA pays a claim related to an insured Loan, the Risk Sharing Agreement provides that the Agency will issue a debenture (each, a “Debenture”) to HUD for the full amount of the claim, which shall be supported by the full faith and credit of the Agency. Each Debenture will have a term of five years, will bear interest at HUD’s published debenture rate, and interest will be payable annually. The Risk Sharing Act contemplates that during the five-year term of each Debenture, the Agency would work toward curing the default, foreclosure or resale of the related project. Not later than the due date of each Debenture, the total loss to be shared by the Agency and HUD shall be computed pursuant to the Risk Sharing Agreement.

The Indenture permits, but does not require, that Loans made with the proceeds of Bonds be insured, including insurance by FHA under any of its insurance programs, or be in the form of a Mortgage-Backed Security. See Appendix A to this Part 2 for a list of Developments that have received firm approval for insurance under the Risk Sharing Act and for a list of those Loans that are insured under the Risk Sharing Act.

FHA insurance with respect to Loans insured under the Risk Sharing Act may be terminated upon the occurrence of certain events, including the following: (i) the mortgage is paid in full; (ii) the Agency acquires the mortgaged property and notifies the Commissioner that it will not file an insurance claim; (iii) a party other than the Agency acquires the property at a foreclosure sale; (iv) the Agency notifies the Commissioner of a voluntary termination; (v) the Agency or its successors commit fraud or make a material misrepresentation to the Commissioner with respect to certain information; (vi) the receipt by the Commissioner of an application for final claims settlement by the Agency; or (vii) the Agency acquires the mortgaged property and fails to make an initial claim.

OTHER FHA INSURANCE

Certain Loans not insured under the Risk Sharing Act are insured by FHA under programs established under Sections 221(d)(3) and 221(d)(4) of the National Housing Act. See Appendix A to this Part 2 for a list of such Loans.

Under the terms of these insurance programs, the Agency is entitled to claim insurance benefits upon the failure of the Borrower to make a Loan payment (or to perform any other obligation under the mortgage if, because of such failure, the Agency accelerates the debt), if such default continues for 30 days. After the continuation of a default for 30 days, the Agency is entitled to receive the benefits of the insurance. To perfect its claim for payment, the Agency is required either to assign the Loan to FHA or to tender to it good and marketable title to the property covered by the insured Loan. Upon assignment of the Loan to FHA, the mortgagee may request that the insurance be paid in cash or debentures. Current HUD policies for such programs provide that settlement payments will be made in cash unless the Agency elects to have payments made in debentures.

The amount of insurance benefits generally paid by FHA is equal to the unpaid principal amount of the Loan adjusted to reimburse the Agency for certain tax, insurance, and similar payments made by it, foreclosure costs, or costs of acquiring the property paid by the Agency, and to deduct certain amounts received or retained by the Agency after default. When entitlement to insurance benefits results from assignment of the Loan to HUD, the insurance payment includes the unpaid principal balance of the Loan at the time of assignment plus, among other things, accrued and unpaid interest on the claim from the date of default at the debenture interest rate. HUD debentures issued in satisfaction of FHA insurance claims generally bear interest from the date of issue, payable semiannually on the first day of January and the first day of July of each year at the HUD debenture interest rate in effect under HUD regulations as of the day the commitment was issued, or as of the date the mortgage was initially endorsed for insurance, whichever rate is higher.

Upon the assignment of a defaulted mortgage to FHA, FHA will also deduct 1% of the outstanding principal balance of the Loan as of the date of default from the amount of insurance benefits paid to the Agency. However, FHA may waive all or part of this 1% if the Agency assigns the mortgage in lieu of foreclosure proceedings at the request of FHA. Because of the manner in which FHA calculates the insurance claim payment, FHA's claim payment will not include one month's interest on the Loan.

When any property to be conveyed to HUD or subject to a mortgage to be assigned to HUD has been damaged by fire, earthquake, flood, or tornado, or the property has suffered damage because of the Agency's failure to take required action, the damage is required to be repaired prior to such conveyance or assignment, except in certain circumstances as provided for in the HUD regulations.

SECTION 8 LOANS

For a listing of Section 8 Developments financed by Prior Series Bonds, see Appendix A to this Part 2. All of the Section 8 Developments currently receive, or are expected to receive,

rent subsidies pursuant to Section 8 of the United States Housing Act of 1937, as amended (“Section 8”), which provides for the payment by HUD of a federal housing subsidy (“HAP Payments”) for the benefit of low-income families (defined generally as families whose annual income does not exceed 80% of the median income for the area as determined by HUD) and very low-income families (defined generally as families whose annual income does not exceed 50% of the median income for the area as determined by HUD). HAP Payments may be made to or for the account of the owner of dwelling units occupied by low-income and very low-income families. Provision is made under the National Housing Act and HUD regulations thereunder for administration of the Section 8 program through performance-based contract administrators or state housing finance agencies, including the Agency. Under this arrangement, the state housing finance agency enters into a Housing Assistance Payments Contract (“HAP Contract”), pursuant to which it agrees to pay the subsidy to or for the account of the owner and concurrently enters into an Annual Contributions Contract (“ACC”) with HUD for the receipt of a corresponding subsidy payment from HUD. Certain of the Agency’s Section 8 projects’ HAP Contracts are administered by performance-based contract administrators, and others by the Agency. The subsidy is generally equal to the difference between the “contract rent” (as established by HUD) and 30% of the income of the qualifying tenant. The contract rent and, consequently, the amount of the subsidy, are subject to annual adjustment. There can be no assurance that increases in contract rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Until 1997, there was substantial uncertainty as to what would happen to Section 8 developments upon the expiration of their HAP Contracts at the end of their terms. HUD’s Fiscal Year 1998 Appropriations Act, Pub. L. 105-65, signed into law on October 27, 1997, included within it the “Multifamily Assisted Housing Reform and Affordability Act of 1997” (the “1997 Act”), which has been further amended since. The 1997 Act implemented a new “Mark-to-Market” program by which many FHA-insured Section 8 projects with expiring HAP Contracts and above-market rents are eligible for restructuring plans, and, upon restructuring, will receive continuing Section 8 assistance. These restructuring plans may include refinancing and/or partial prepayment of mortgage debt intended to reduce Section 8 rent levels to those of comparable market rate properties or to the minimum level necessary to support proper operations and maintenance, and in many cases is designed to result in a change from “project-based” to “tenant-based” Section 8 payments. The 1997 Act provides, however, that no restructuring or renewal of HAP Contracts will occur if the owner of a project has engaged in material adverse financial or managerial actions with respect to that project or other federally assisted projects, or if the poor condition of the project cannot be remedied in a cost effective manner.

Although the primary focus of the Mark-to-Market Program is developments that have FHA-insured mortgages with terms ranging from 30 to 40 years and which have HAP Contracts with substantially shorter terms, the 1997 Act contains distinct mortgage restructuring and HAP Contract renewal and contract rent determination standards for Section 8 developments for which the primary financing or mortgage insurance was provided by a State or local government or a unit or instrumentality of such government. Except as noted below, such developments are, under the 1997 Act, excluded from restructuring and instead are eligible for renewals at the least of (i) existing rents, adjusted by an operating cost adjustment factor established by HUD, (ii) a budget-based rent, or (iii) in the case of certain “moderate rehabilitation” Section 8 assistance

contracts, the least of (x) existing rents, adjusted by an operating cost adjustment factor established by HUD, (y) existing fair market rents (less any amounts allowed for tenant purchased utilities), or (z) comparable market rents for the market area.

Congress passed the “Preserving Affordable Housing for Senior Citizens and Families in the 21st Century Act” as part of HUD’s Fiscal Year 2000 Appropriations Act (the “1999 Act”), which amended portions of the 1997 Act. Under the 1999 Act, Section 8 developments with FHA-insured mortgages for which the primary financing was provided by a unit of state or local government are subject to the Mark-to-Market program unless the implementation of a mortgage restructuring plan is in conflict with applicable law or agreements governing such financing. To the extent any such State and local government financed Section 8 developments with FHA-insured mortgages are determined not to qualify for the Mark-to-Market program, such developments would be treated in the same manner as other Section 8 developments, as discussed above, that do not have FHA-insured mortgages. To the extent any such Section 8 developments are determined to be eligible for the Mark-to-Market program, all or a portion of the debt for such developments may be prepaid as part of a restructuring agreement. The 1999 Act also provides for a new program for the preservation of Section 8 developments that allows increases in the Section 8 rent levels for certain Section 8 developments that have below-market rents, to market- or near market-rate levels. Contract rents under the 1997 Act, as amended, may be significantly lower than the current Section 8 contract rents in the Section 8 Developments, and the corresponding reduction in HAP Payments for such Developments would materially adversely affect the ability of the owners of such Developments to pay debt service on the related Loans. Any termination or expiration of HAP Contracts without renewal or replacement with other project-based assistance (whether due to enactment of additional legislation, material adverse financial or managerial actions by a Borrower, poor condition of the project or other causes) could also have a material adverse impact on the ability of the related Section 8 Developments to generate revenues sufficient to pay debt service on the related Loans.

For FHA-insured projects, a reduction in Section 8 contract rents or the termination or expiration of the HAP Contract (without renewal or replacement with other project-based assistance), as described in the previous paragraphs, could thus result in a default under the related Loan and claims for insurance benefits. The restructuring plans established by the 1997 Act, as a general matter, contemplate restructuring FHA-insured mortgage loans on certain Section 8 projects through a nondefault partial or full prepayment of such loans. Nondefault prepayment or similar forgiveness or write-down of mortgage debt pursuant to a restructuring of some or all of the Loans on the Section 8 Developments may result in the redemption of an allocable portion of the allocable Bonds at any time with the proceeds the Agency receives from any such prepayment, forgiveness or write-down.

In addition to possible restructuring of Loans on the Section 8 Developments as discussed above, the related loan documents may or may not include a prohibition against voluntary loan prepayments without the express written consent of the Agency. See Appendix A to this Part 2 for certain information regarding the Section 8 Developments.

Certain of the Section 8 Developments have a Mortgage that is not covered by FHA or other mortgage insurance and also have a HAP Contract that expires prior to the maturity of such Mortgage. Following expiration, each such HAP Contract can be renewed for an additional term

of between one and five years (20 years in the case of certain projects). Funding of these renewal HAP contracts (like funding of all renewal contracts under the Mark-to-Market Program) is subject to annual appropriation by Congress. For certain such Projects, in the event that the HAP Contract for a Section 8 Development were not to be renewed at the end of its term, or Congress did not appropriate funds for the renewal of HAP contracts generally, a Transition Operating Reserve is required, and would be available to cover any operating deficits during the project's expected transition from the Section 8 subsidy. See Appendix A to this Part 2.

PROGRAM PROCEDURES

The following describes the Program as it currently is in effect and certain information relating to Loans. Features of the Program are subject to change by the Agency. In addition, to the extent that the description of the Program set forth below reflects the current requirements of the Program, the Act, the Loans or HUD, these requirements are subject to change. Other Bonds issued pursuant to the General Indenture may be issued in accordance with the Program as it is in effect at the time such other Bonds are issued.

General

Under the Program, Loans are financed directly by the Agency. The Loans may provide acquisition, construction (both for new construction and rehabilitation), bridge loans and permanent financing for developments intended for occupancy by persons and families of low or moderate income. All Borrower Loans are secured by liens of any priority subject to certain encumbrances and may be uninsured or insured. Generally, any Borrower Loan which is provided for acquisition/rehabilitation financing, permanent financing or construction loan financing is a first lien loan. See Appendix A to this Part 2.

Developments are required to meet criteria established by the Agency, including the requirement that each Development will not discriminate against possible tenants with Section 8 vouchers. Such criteria may provide for the direct financing by the Agency for the permanent financing of Developments in which at least 20% of the units, with respect to a particular Development, are to be occupied by persons or families whose income is generally not greater than 50% of the area median income adjusted for family size. (Compliance with the income limitation is measured by reference to "very low income," which income standards are determined by HUD.) The Agency requires these units to be rented at rents which, when added to the Agency-approved utility expense allowance, do not exceed thirty percent (30%) of the income of a household earning fifty percent (50%) of the area median income, adjusted for household size based on an assumed number of occupants depending on the number of bedrooms per unit. State law generally defines low income households as households whose income does not exceed eighty percent (80%) of the median income and very low income households as households whose income does not exceed fifty percent (50%) of median income. In some areas, the low and very low income household limits may be greater than or less than 80% (or 50%, as appropriate) of median income due to adjustments made by HUD to reflect unusually high or low construction costs or income in such areas. The Agency or other government entities may provide, for certain Developments intended for occupancy in whole or in part by low and very low income households, deferred payment loans secured by junior liens and other forms of financial assistance to finance a portion of the costs of such Developments.

The Indenture permits, but does not require, that Loans be insured, including insurance by FHA, or be in the form of a Mortgage-Backed Security. See “Insurance Under the Risk Sharing Act” and “Other FHA Insurance.” See Appendix A to this Part 2 for a list of Developments that have received firm approval for insurance under the Risk Sharing Act and for a list of those Loans that are insured under the Risk Sharing Act or are covered by other FHA insurance.

Loan Processing

General. Each proposal for financing from a housing sponsor is subject to a review and evaluation procedure which, if successfully completed, results in a commitment for financing by the Agency. Additional processing involving the Agency, HUD, if applicable, the developer and the locality, if applicable, culminates in a loan closing and, if applicable, the commencement of construction. The Agency has established various requirements and procedures intended to ensure the timely completion of construction. After completion and occupancy, the Agency monitors the Development to ensure that the management of the Development complies with the applicable regulatory agreement and sound management practices.

Review and Commitment Procedures. The following review and commitment procedures are those currently being used by the Agency.

The Agency review process generally begins with the submission by a developer of an application accompanied by supporting materials and exhibits, including, but not limited to, an income loan analysis prepared by the developer or its consultant, providing an estimate of anticipated income generated from rents that can be substantiated in the market area where the proposed units will be built, acquired or rehabilitated; area and zoning maps together with applicable evidence of zoning compliance; a market study, which for developments with more than 20 units must be prepared by an independent third party; evidence of site control; information concerning the previous experience of each member of the development team; and a site plan.

Members of the Agency’s staff review the suitability of the site for a development, if applicable, environmental considerations, the extent of need for rental housing in the community and the experience of the prospective developer with rental Developments. This evaluation includes an inspection of site characteristics, surrounding land uses, availability of public transportation and utility systems, access to supporting public facilities and employment opportunities within the region, and the proximity of the site to recreation, health care, social amenities, shopping and educational facilities. Local planning requirements are reviewed to establish the extent of compliance of the proposed development with existing zoning regulations. The Agency reviews current rent levels, vacancy rates and the extent of waiting lists for other comparable rental properties within the market area. Subsequently, based upon this evaluation, the staff of the Agency determines the suitability of the project concept. A concept meeting is then conducted among the developer, the development team and the Agency to discuss the economic, management and physical characteristics of the project and the Agency’s processing and technical requirements.

Based upon the site evaluation, the loan application and the concept meeting, the staff of the Agency determines the suitability and feasibility of the project concept.

If the Agency and the developer agree to proceed with processing, the developer is required to supplement the application package with additional specific information pertinent to the Development in order to permit the Agency to examine the feasibility assumptions in detail. The loan application package generally includes preliminary design drawings and specifications, site survey, management plan, marketing plan, marketing expense budget, operating expense budget, affirmative action plan and environmental site assessment.

In general, Agency staff reviews the developer's architectural plans for basic elements of the Development. The staff also updates the economic feasibility of the development based on the latest and most relevant information available at this stage of processing. The Agency determines economic feasibility of a Development on the basis of rent levels as they exist at the time of commitment.

At the time Agency staff determines that (i) the plans and specifications are completed through the preliminary stage, (ii) operating expense projections have been refined, (iii) development costs have been reviewed, (iv) the appraisal supports project value, and (v) there is a commitment of other lender financing, if applicable, the project is brought before the Board of Directors or Agency Senior Staff (depending upon the dollar amount of the Loan) for a final commitment (the "Final Commitment"). Upon approval by the Board, the Agency evidences its Final Commitment in a letter to the developer setting forth the terms of the Final Commitment, including, as applicable, loan term, fees, construction loan amount, acquisition cost, rehabilitation cost, permanent loan amount, loan closing requirements, cash equity requirements and affirmative marketing plan requests. Between the issuance of the Final Commitment and the loan closing, the developer prepares final working drawings which are reviewed by the Agency and any appropriate governmental units. Upon all conditions of the Final Commitment being satisfied, the loan is closed.

Lending Programs

The Agency has made Loans for Developments for which the construction financing is provided by the Agency or a private construction Lender approved by the Agency. The Agency's construction inspectors generally will visit a Development site while construction is in progress, whether or not the Agency is providing a direct construction loan.

Direct Construction Loan Program. The Construction Loan Program is designed to provide construction loans at commercially competitive rates and terms to Developments. Construction loans may be provided with the proceeds of taxable or tax-exempt bonds or other Agency moneys. The Agency's objective is to provide "one-stop shopping" to its Borrowers to simplify the financing process and reduce transaction costs.

Projects eligible for this program are those that are subject to State prevailing wage requirements even without Agency financing, and that generally are approved by the Agency for permanent financing. The project's value will be based on "investment value," assuming restricted rents and including the value of Low Income Housing Tax Credits and the value of

beneficial financing. Projects are eligible for Agency construction financing up to a maximum of 90% of construction cost, or 90% of completed value, whichever is less.

Loan maturities will be from 12 to 36 months, depending primarily on the project's construction and rent-up schedules. The interest rate for the loans will be an adjustable interest rate equal to the "Reset Rate." For tax-exempt variable rate construction loans, the "Reset Rate" shall be equal to the average of the four previous weekly SIFMA Indexes calculated as of the third business day preceding the first calendar day of each month plus 1.50%. For taxable loans the "Reset Rate" shall be equal to 100% of one-month LIBOR as of the third business day preceding the first calendar day of each month plus 1.25%. The initial interest rate shall be the most recent Reset Rate as of the date of the construction loan note. The maximum change in the interest rate on any date when the Agency resets the interest rate for its Construction Loans will be 0.25%. The maximum change in the interest rate during the Loan's initial term is 2.0% for tax-exempt loans and 2.50% for taxable loans. Payments will be monthly, interest-only and capitalized through the loan term.

For tax-exempt fixed rate construction loans, loan maturities will be 18 or 24 months, depending primarily on the project's construction and rent-up schedules. If an extension of the maturity date is needed, the interest rate for the loans will be either the fixed rate of the permanent loan, or an adjustable rate. Payments will be monthly, interest-only and capitalized through the loan term.

Direct construction loans will generally be recourse to the Borrower. Additional security will be required in the form of a corporate completion guarantee in the amount of 100% of the construction contract amount. Upon completion of construction but no later than permanent loan closing, the corporate guarantee will be released. The required amount of "additional security" may be decreased or increased in the Agency's sole discretion. The Agency may, in its sole discretion, require a letter of credit or cash deposit in the amount of 10% of the construction contract amount in lieu of the corporate completion guarantee. Assignment of rights under non-Agency financing or tax credit equity commitments, or both, will be required.

Each direct construction loan will be secured by a first deed of trust. Generally, non-Agency loans, leases, development and regulatory agreements must be subordinate to the Agency's construction loan documents.

The Agency must approve the selected contractor, based on the contractor's qualifications, experience and credit. Payment and performance bonds will be required at 100% of the construction contract price.

Acquisition/Rehabilitation Loan Program. The Agency Acquisition/Rehabilitation Loan Program funds the acquisition of the Development using its "as is" value. Reserves and money financed by the Acquisition/Rehabilitation Loan are used to finance rehabilitation work generally using the same terms as in the Agency's Direct Construction Loan Program described above. The scope of work is agreed upon between the Borrower and the Agency based on a third party report referred to as a "physical needs assessment". At conversion, the acquisition loan may roll over to a permanent loan with the Agency at the same amount or an amount that is higher than the original loan.

Loan-to-Lender Program. The Loan-to-Lender Program is designed to provide a low cost source of capital to construction Lenders of affordable housing projects where the Agency is the permanent Lender. The Agency makes a Lender Loan to a qualified construction Lender who uses the funds to provide a construction loan to an affordable housing sponsor. The Agency enters into a loan agreement (the “Lender Loan Agreement”) with the construction Lender that sets forth the terms for the phased disbursement of the Agency funds and repayment. The construction Lender also executes a promissory note (the “Lender Note”) in favor of the Agency. The Lender Loan Agreement and Lender Note are generally unsecured. Loans are generally for two years with interest rates established according the source of funds, either taxable or tax-exempt. The program limits the amount of spread the construction Lender may charge to 200 basis points over the Lender Loan rate and loan fees charged the housing sponsor are limited to 1.5% of the construction loan amount. Qualifying construction Lenders must have a senior unsecured debt rating of A- or better by S&P or A3 or better by Moody’s. Lenders with a lower rating must supply an acceptable letter of credit as security. An Agency Regulatory Agreement is recorded against the property at the time the construction loan is recorded and Agency staff monitors the construction of the project to ensure compliance with Agency guidelines. After the successful completion of the project and satisfaction of the terms of the permanent loan commitment, the Agency funds the permanent loan, which serves in part either to retire the Lender Loan or “roll” the Lender Loan into the permanent project loan.

Loan Closing Procedures — Permanent Loan Closing. Upon completion of new construction or at acquisition, the supervising architect issues a certificate of completion and the developer submits a cost certification, which must be approved by the Agency. The relevant loan closing documents, which generally include a promissory note, deed of trust, financing statement and regulatory agreement (in the case of a Lender Loan, the regulatory agreement is entered into at the time the Lender Loan is recorded), give the Agency a security interest of any priority (generally a first lien) in the real property, or an interest therein, and the construction in place. They also provide the Agency with the power to take possession of the Development upon default and foreclose and sell it if necessary. The Borrower is required to maintain adequate insurance and establish escrows for taxes and insurance. The Borrower is also required to provide a title insurance policy acceptable to the Agency and certifications from its architect and an opinion from its attorney that the Development conforms to all applicable laws, rules, regulations and codes.

Loan Closing Procedures — Construction Loan and/or Acquisition/Rehabilitation Loan Closing. Upon approval by the Agency of the plans and specifications of the Development and/or the Development manual, along with the construction line item budget, construction contracts with the general contractor, the architect and the engineer(s) (as appropriate to each Loan), financial sources and uses statements, zoning and title status and posting of appropriate payment and performance bonds, along with any other conditions precedent which the Agency deems as necessary, the Agency closes the Construction Loan or Acquisition/Rehabilitation Loan. The relevant loan closing documents are the promissory note (which typically but not always specifies new terms and amounts upon conversion from a Construction Loan to a Permanent Loan or roll-over from an Acquisition/Rehabilitation Loan to a Permanent Loan), a deed of trust, financing statement, regulatory agreement and if a Construction Loan, a Construction Loan and Term Agreement or if an Acquisition/Rehabilitation Loan, an Acquisition/Rehabilitation Loan Agreement. In general, the Construction Loan and Term

Agreement specifies requirements associated with disbursements during construction and requirements to conversion to Permanent Loan. In general, the Acquisition/Rehabilitation Loan Agreement specifies requirements associated with conditions necessary for the funding of the Permanent Loan.

Management of Developments

The following management criteria are those currently required by the Agency:

Prior to Final Commitment, the Agency generally reviews the qualifications of the management agent proposed by the developer, including its management experience, its financial statements and references.

Initial Operating Budget. As soon as the number of units and gross rents have been established, and prior to Final Commitment, the developer and management agent prepare and submit a detailed operating budget projecting a typical 12-month operating expense period. This operating budget must be approved by the Agency and is the basis for the various reserves and impound accounts to be funded by the Borrower.

Development Financial Management and Financial Reporting Requirements. Before a Loan is funded, Agency staff reviews and evaluates the existing and/or projected occupancy levels for the related Development. Progress toward achieving a sustaining level of occupancy is a factor in determining the amount of required project reserves.

Commencing with the permanent funding of a Loan, the Agency requires monthly financial reports, audited financial statements and an annual operating budget. Annual physical inspections are made and occupancy compliance is reviewed. The Agency also sends monthly statements to Borrowers itemizing loan principal and interest, hazard insurance premiums, real property taxes, and replacement reserve payments.

Development Controls, Reserves and Insurance

Major areas of control exercised by the Agency as part of its supervision are described below. In appropriate cases, the Agency may waive or modify these controls. Certain of these controls may be applicable only to Developments which receive Section 8 assistance, and others may be applicable only, or potentially applicable only, to Developments financed with certain Bonds issued hereafter.

Equity Requirement. Under the Act as presently enacted, the maximum Loan to limited dividend Borrowers cannot be greater than ninety-five percent (95%) of the total Development Costs, and the maximum Loan to public housing authorities and nonprofit Borrowers cannot be greater than one hundred percent (100%) of the total development costs authorized by law and approved by the Agency as reasonable and necessary ("Development Costs"). The Agency's current policy is to limit the loan-to-value ratio of Loans to the lesser of ninety percent (90%) of the replacement cost or eighty percent (80%) of the economic value of the related Development.

Return on Equity. Generally, the Agency will not limit the return on equity to Borrowers.

Title Insurance. A title insurance policy is required in the full amount of the Loan insuring title to, and the validity and enforceability of the lien of any priority on, the real property, or an interest therein securing such Loan. No title insurance is required for Lender Loans.

Lien. The Loan is required to be secured by a lien of any priority (subject to permitted encumbrances acceptable to the Agency) on the Development. Generally, such liens will be first liens. Lender Loans are not secured by a lien of any priority.

Insurance. Insurance policies on the Developments are required covering fire and other hazards, builder's risk, comprehensive liability and workers' compensation coverage. Certain Loans are required to be covered by earthquake insurance. The Agency currently has in force and intends to maintain, subject to the commercially reasonable availability of such insurance, for its multifamily housing developments (including the Developments), a \$50 million earthquake and flood insurance policy subject to a deductible of five percent (5%) of the total insured value of each Development at the time of loss. The policy also includes rental interruption insurance covering a term of one year. The current policy expires November 9, 2010.

Vacancy Factor. In determining the economic feasibility of Developments, the Agency generally allows for a vacancy factor of between three and five percent or a rate that reflects an appropriate vacancy for the Development.

Debt Service Coverage. The Agency may establish a minimum debt service coverage ratio. "Debt service coverage ratio" is defined as the ratio of net income to debt service payments. "Net income" is defined as monthly payments to be made by tenants for the rental of the units located in a Development (excluding utilities) and any miscellaneous revenues and receipts from a Development, including drawdowns from any reserves or escrows provided by the Borrower to cover excesses of operating costs over gross rental income, less the required vacancy allowance (currently three percent to five percent) and operating expenses. "Debt service payments" is defined as total principal and interest payments on the Loan.

Rent-Up Reserve. A reserve may be required by the Agency with respect to multi-unit developments to supplement income during the initial rent-up period. The Agency will specify the maximum number of months of projected gross rental income of the Development that may be necessary. Monthly disbursements from the rent-up account will be applied first to principal and interest payments on the Loan and then to required impounds. If funds remain in the rent-up account after the number, specified by the Agency, of consecutive months in which gross rental income equals or exceeds operating expenses, such funds will be disbursed to the Borrower.

Operating Expense Reserve. The Agency may require that a separately funded operating expense reserve be established for each Development, to pay operating expenses not covered by gross rental income, the rent-up account and the projected operating expense escrow, if any. Any such operating expense reserve would be funded by the Borrower from sources other than Development income in the form of cash or cash equivalents in an amount equal to a percentage of the projected initial gross rental income per annum. The operating expense reserve may be required by the Agency to be maintained until two consecutive years have elapsed during which

gross rental income is sufficient to meet all operating expenses, debt service payments and reserve requirements.

Replacement Reserve. After the completion of the Development, the Borrower is required to establish a replacement reserve by depositing amounts monthly with the Agency from sources other than proceeds of the Loan. Disbursements from the replacement reserve, which may be made only upon the approval or at the discretion of the Agency, are to be made for the purpose of replacing structural elements or equipment of the Development or for any other purpose consistent with maintaining the financial and physical integrity of the Development.

Impounds. The Borrower is required to pay to the Agency, each month on the day upon which monthly installments of interest and/or principal are due under the Loan, such amounts as the Agency estimates are necessary to create and maintain a fund from which to pay before the same become due, the next maturing taxes, assessments, levies, charges and insurance premiums with respect to the Development.

Fiscal Control. All rents and other revenues from a Development will be placed in a federally-insured account and paid out only for specified purposes. The Agency will control all moneys in the various reserves and impounds required for the Development.

Loan Documents

Each Borrower Loan is evidenced by certain documents, including a promissory note (the “Promissory Note”), and secured by a deed of trust with assignment of rents (the “Deed of Trust”) and a regulatory agreement (the “Regulatory Agreement”). Construction Loans also have a Construction Loan Agreement, which dictates the specific terms regarding disbursements of Loan Proceeds. Lender Loans are not secured by a Deed of Trust or a lien on the related Development. In connection with each IRP Loan, the Agency, the Borrower and HUD also enter into an IRP Agreement. In addition, for Loans related to Section 8 Developments, under a related Pledge Agreement, the Borrower assigns to the Agency all rights that the Borrower may have or acquire to the payments under the HAP Contract. These documents are collectively referred to as the “Loan Documents.”

Promissory Note. Except for Construction Loans, certain Acquisition/Rehabilitation Loans and Lender Loans, the Promissory Note, payable to the order of the Agency, contains a provision which exculpates the Borrower or, if the Borrower is a partnership, any partner from personal liability on the Promissory Note.

Deed of Trust. The Deed of Trust secures the Promissory Note and any additional indebtedness of the Borrower to the Agency and performance by the Borrower of all of the terms, covenants and conditions of the Promissory Note and the other Loan Documents. The Deed of Trust constitutes a lien of any priority (generally a first lien subject only to permitted encumbrances acceptable to the Agency) on the real property for the Development and contains an assignment by the Borrower of all rents, issues and profits of the mortgaged property. The Deed of Trust requires that the Borrower maintain certain types of insurance at such levels as the Agency specifies, and provides that the Agency may require that funds be deposited into escrow for payment of taxes, insurance premiums and other charges against the Development. Upon

default, the Agency has the power to take possession of and operate, and to foreclose upon and sell, the Development.

In the event that a Borrower defaults in the payments on a Loan and the Agency institutes foreclosure or other recovery proceedings, there are certain time periods which must expire before subsequent action may be taken. These delays may derive from the procedures applicable to insurance, as well as those required under California law for the enforcement of creditors' rights. California law is such that the Agency's rights (including its rights under a Promissory Note to payment of principal and interest) secured by a Deed of Trust may, under certain circumstances, only be enforceable by foreclosure on the Development. Thus, the Agency may not be able to sue the Borrower upon the Promissory Note without at the same time and in the same action foreclosing on the Development, and may not be able to sue for payments as they come due. The extent to which these restrictions apply to enforcement of rights other than to the payment of indebtedness, such as to actions to enforce other covenants of the Borrower, has not been definitely determined by California courts. *However*, the Agency may sue a Borrower to enforce regulatory covenants of the Borrower without in the same action foreclosing on the Development.

In order to obtain title to and possession of the property upon foreclosure, the Agency will normally pursue its rights under the power of sale contained in the Deed of Trust, subject to the constraints imposed by applicable California law. These constraints require that a period of approximately four months elapse between the filing of a formal notice of default and the exercise of the power of sale. During this period, the Borrower will be entitled to reinstate the Loan by making overdue payments. Since there may be a delay of several months after the initial default on a Loan before the notice of default is filed, the period for realizing upon a Deed of Trust could be in excess of seven months after the initial default. Shorter periods of time are possible, however, if the Borrower is willing to execute a deed in lieu of foreclosure or if the property has been abandoned and more rapid foreclosure is required to protect the property, provided such actions are in the best interest of the Agency. Additionally, California law imposes certain other procedural requirements which must be fully complied with if the Agency is to enforce its security interest in the Development. Under the terms of some Loan Documents, the Agency might have no personal recourse against a Borrower.

Regulatory Agreement. The Regulatory Agreement requires the Borrower to operate the Development in conformity with applicable laws, regulations and Program requirements. The Regulatory Agreement requires that each Borrower take such actions as are necessary to ensure that the required percentage of units occupied by very low income households is maintained. The Regulatory Agreement requires that the Borrower obtain a signed management contract with the management agent for the property prior to the loan closing. The management contract must include a provision allowing the Agency to require the Borrower to remove the management agent, with or without cause, upon 30 days' advance written notice (or immediately, at the option of the Agency, in case of a default by the Borrower). It must detail the management agent's responsibilities, including provisions as to maintenance, proof of insurance, collection of rents, enforcement of leases, funding of reserves and accounting. The management agent must furnish, at its own expense, a fidelity bond equal to one month's gross rent for the Development. The Regulatory Agreement also requires the Borrower to establish with the Agency various reserve funds. (See "Program Procedures — Development Controls, Reserves and Insurance.") In the

event the Borrower violates any of the provisions of the Regulatory Agreement, and if such violation is not corrected to the satisfaction of the Agency within 30 days after mailing of notice by the Agency, the Agency may declare a default under the Regulatory Agreement. In the event of such a declaration of default, the Agency may declare all amounts evidenced by the Promissory Note to be immediately due and payable, take possession of and operate the Development on behalf of the Borrower, appoint a receiver to take over and operate the Development pursuant to the terms of the Regulatory Agreement or seek any other relief the Agency deems necessary.

MULTIFAMILY AND HOMEOWNERSHIP PROGRAMS OF THE AGENCY

The Agency is currently operating the financing programs described below. Information relating to obligations issued and obligations outstanding with respect to the other financing programs of the Agency is set forth in Appendix C to this Part 2.

Multifamily Programs

General. The Agency has a long and successful history of underwriting loans for multifamily housing developments. As of October 31, 2009, the Agency had lent a total of approximately \$2.480 billion to fund loans for 518 multifamily developments which, in the aggregate, include 41,185 living units. Of this amount, approximately \$797.5 million was lent for 212 projects (totaling 16,274 units) for which there are HAP Payments contracts with HUD pursuant to Section 8. The balance of such amount, \$1.682 billion, was lent for 306 non-Section 8 projects totaling 24,911 units.

As of November 1, 2009, the Agency owns 149 HUD Section 236 loans with an aggregate unpaid principal balance of approximately \$52.9 million. The Agency purchased these loans in 2001 in order to enhance the ability of the Agency to assist affordable housing sponsors to purchase their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds II. Proceeds of Multifamily Housing Revenue Bonds II provide for the construction and/or permanent financing of loans insured by FHA or that underlie a mortgage-backed security for multifamily housing developments. The Multifamily Housing Revenue Bonds II are general obligations of the Agency. The Agency has not issued bonds under the Multifamily Housing Revenue Bonds II Indenture since 1996 and currently does not expect to issue bonds thereunder.

Affordable Multifamily Housing Revenue Bonds Indenture. The Agency developed this indenture in connection with the New Issue Bond Program sponsored by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency and the United States Department of the Treasury ("Treasury") as part of the program for housing finance agencies announced by Treasury on October 19, 2009 (the "HFA Initiative"). Proceeds of bonds issued under this indenture will provide for the construction and/or permanent financing of loans insured by FHA or that underlie a mortgage-backed security for multifamily housing developments. The Affordable Multifamily Housing Revenue Bonds are limited obligations of the Agency. The Agency expects to issue an

initial series of approximately \$380 million of Affordable Multifamily Housing Revenue Bonds in December 2009, for settlement in January 2010, and to apply the proceeds of such bonds, together with any additional Affordable Multifamily Housing Revenue Bonds to be issued in 2010, to the funding of loans in the future.

Homeownership Program

The Home Mortgage Purchase Program provides funds for the Agency to purchase eligible mortgage loans, and mortgage-backed securities backed by such mortgage loans, secured by first mortgage liens on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lenders through the issuance of Home Mortgage Revenue Bonds and Single Family Mortgage Bonds II. Home Mortgage Revenue Bonds and Single Family Mortgage Bonds II are separately secured from each other. Certain of the subordinate Single Family Mortgage Bonds II are general obligations of the Agency. Mortgage loans purchased under this program (other than certain of such mortgage loans underlying mortgage-backed securities) will be insured either by FHA, the Insurance Fund, the VA or a private mortgage guaranty insurance policy covering a loss of up to 50% of the outstanding principal amount of the mortgage loans.

Certain programs of the Agency financed by its Housing Program Bonds provide, to low and moderate income home buyers who are eligible under the Agency's Home Mortgage Purchase Program, downpayment assistance in the form of deferred payment second-lien loans at below-market interest rates to be applied to the purchase of newly constructed and existing, moderately priced, single family homes. The Housing Program Bonds are general obligations of the Agency.

Residential Mortgage Revenue Bonds Indenture. On November 9, 2006, the Board of the Agency approved the form of the Residential Mortgage Revenue Bonds Indenture. The Agency expects to use this indenture in connection with the New Issue Bond Program sponsored by Fannie Mae, Freddie Mac, the Federal Housing Finance Agency and Treasury as part of the HFA Initiative. Proceeds of bonds issued under this indenture are expected to be used to purchase mortgage-backed securities secured by mortgage loans on newly-constructed or existing single-family homes, condominiums, planned unit developments, and manufactured housing permanently attached to the land. The Residential Mortgage Revenue Bonds are limited obligations of the Agency. The Agency expects to issue an initial series of approximately \$1.016 billion of Residential Mortgage Revenue Bonds in December 2009, for settlement in January 2010, and to apply the proceeds of such bonds, together with proceeds of approximately \$677 million of additional Residential Mortgage Revenue Bonds to be issued in 2010, to the purchase of mortgage-backed securities in the future.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following statements are brief summaries, which do not purport to be comprehensive, of certain provisions of the Indenture.

Certain Defined Terms

“Account” means an account or fund created by or pursuant to the Indenture.

“Accreted Value” means, on any particular date of calculation with respect to any particular Bond the interest on which is not payable at least semiannually (except for an initial period not to exceed one year), an amount equal to the original reoffering price of such Bond compounded on each Interest Payment Date or Principal Installment Date for Bonds of the same Series at the Original Issue Yield for such Bond, less interest paid, as of the Interest Payment Date or Principal Installment Date next preceding such date of calculation.

“Acquired Development” means a Development constructed, owned, operated or administered by the Agency by reason of the Agency’s obtaining possession thereof when the Borrower Loan with respect thereto is a Defaulted Loan.

“Acquired Development Expense Requirement” means such amount of money as may, from time to time, be determined by an Officer’s Certificate to be necessary for the payment or as a reserve for the payment of any costs and expenses incurred in connection with all Acquired Developments.

“Acquired Development Receipts” means all moneys received by the Agency in connection with Acquired Developments.

“Bond” means any bond or bonds, as the case may be, authorized under, secured by, and issued pursuant to, the General Indenture.

“Bond Reserve Account Requirement” means, as of any particular date of calculation with respect to any particular Series, the amount specified for such date of calculation in the related Series Indenture; which Requirement, as to any Series, may be satisfied by a letter of credit, surety bond or other source of moneys if so provided in the related Series Indenture.

“Borrower” means the owner of a Development and the direct or indirect obligor on a Borrower Loan.

“Borrower Loan” means a loan made, purchased or otherwise acquired with the proceeds of Bonds, with the proceeds of a Lender Loan or through a Mortgage-Backed Security for the construction or permanent financing of one or more Developments, and for which the obligation to repay is evidenced by a Note and secured by one or more Deeds of Trust, or a participation in such a Loan.

“Business Day” means any day other than (i) a Saturday, a Sunday or another day on which banking institutions in the State of California are authorized or obligated by law or executive order to be closed, (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed and (iii) with respect to any Series, a day upon which commercial banks are authorized or obligated by law or executive order to be closed in the city in which demands for payment are to be presented to any Credit Provider of such Series.

“Capitalized Interest” means interest to be paid or reserved from the proceeds of the issuance of Bonds or other amounts deposited by the Agency in the Program Account.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Agency and related to the authorization, sale and issuance of Bonds.

“Counsel’s Opinion” means a written opinion, including supplemental opinions thereto, addressed to the Agency and signed by an attorney or firm of attorneys (who may be counsel for the Agency) acceptable to the Agency and the Trustee.

“Credit Facility” means any supplemental credit support or supplemental liquidity support for a Series.

“Credit Provider” means any person, firm or entity designated in a Series Indenture or Supplemental Indenture as providing supplemental credit support or liquidity support for a Series of Bonds.

“Deed of Trust” means a deed of trust or other instrument which constitutes a lien on real property and improvements thereon and secures the obligation to repay a Borrower Loan.

“Defaulted Loan” means any Loan described in an Officer’s Certificate and stated to be in default in accordance with its terms.

“Development” means any residential structure, housing development, multifamily rental housing or mobile home park, financed by one or more Loans made, purchased or otherwise acquired with the proceeds of Bonds.

“Escrow Payments” means any payments made with respect to any Borrower Loan in order to obtain or maintain loan insurance, any subsidy and any fire or other hazard insurance and any payments required to be made with respect to any Borrower Loan for reserves or escrows for operating expenses or replacements or for taxes or other governmental charges or similar charges to be paid by a Borrower and required to be escrowed pending their application.

“FHA” means the Federal Housing Administration of HUD or any successor agency of the United States of America.

“Fiduciaries” means the Trustee and any Paying Agents and any other person identified as such by a Series Indenture.

“Hedging Instrument” means any interest rate, currency or cash-flow swap agreement, interest rate cap, floor or option agreement, forward payment conversion agreement, put, call or other agreement or instrument to hedge payment, interest rate, spread or similar exposure, which meets the requirements of the Indenture and which in each case is a general obligation of a counterparty whose general obligations at the time of execution of the Hedging Instrument are rated “A” or equivalent or better by each Rating Agency and is designated as a Hedging Instrument related to the Bonds.

“*HUD*” means the United States Department of Housing and Urban Development or its successor.

“*Interest Requirement*” means, as of any particular date of calculation, with respect to any particular Series Outstanding on such date of calculation, an amount equal to the sum of (1) any previously unpaid interest then due on Outstanding Bonds of such Series (including any amount required to be reimbursed to any Credit Provider for payment of such interest), plus (2) an amount equal to the interest accrued and unpaid on Outstanding Bonds of such Series as of such date of calculation, but not including the interest portion of the Accreted Value. For purposes of this definition as applied to Bonds bearing interest at a variable rate, any assumptions made in the calculation of interest in connection with the issuance of such Bonds shall be as set forth in the related Series Indenture, and any assumptions made in the calculation of interest in connection with the other matters arising under the Indenture shall be as set forth in the related Series Indenture or as set forth in an Officer’s Certificate consistent with the related Series Indenture.

“*Investment Obligation*” means any of the following which at the time are lawful investments under the laws of the State for the moneys held under the Indenture then proposed to be invested therein:

(1) direct general obligations of the United States of America or of the State, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America, any federal agency of the United States of America, or the State;

(2) bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by Federal Land Banks or Federal Intermediate Credit Banks established under the Federal Farm Loan Act, as amended, debentures and consolidated debentures issued by the Central Bank for Cooperatives and Banks for Cooperatives established under the Farm Credit Act of 1933, as amended, bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of Fannie Mae or of the Government National Mortgage Association, established under the National Housing Act, as amended, bonds of any Federal Home Loan Bank established under said act, bonds, debentures and other obligations of the Federal Home Loan Mortgage Corporation guaranteeing timely payment of principal and interest, bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act, as amended, except, in each case, securities evidencing ownership interests in specific portions of the interest on or principal of such obligations;

(3) commercial paper rated within the three highest Rating Categories of each Rating Agency and issued by corporations (a) organized and operating within the United States and (b) having total assets in excess of five hundred million dollars (\$500,000,000);

(4) bills of exchange or time drafts drawn on and accepted by a commercial bank the general obligations of which are rated within the highest three Rating Categories by

each Rating Agency, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System, and negotiable certificates of deposit issued by a nationally or state-chartered bank or savings and loan association which are insured by federal deposit insurance, or which are issued by such an institution the general obligations of which are rated within the highest three Rating Categories by each Rating Agency;

(5) bonds, debentures, and notes issued by corporations organized and operating within the United States and rated within the highest three Rating Categories by each Rating Agency;

(6) repurchase agreements or reverse repurchase agreements with nationally recognized broker-dealers which are agreements for the purchase or sale of Investment Obligations pursuant to which the seller or buyer agrees to repurchase or sell back such securities on or before a specified date and for a specified amount, which seller or buyer has outstanding long-term indebtedness which is rated within the highest three Rating Categories by each Rating Agency;

(7) investment agreements with corporations, financial institutions or national associations within the United States the general obligations of which (or, if payment of such investment agreement is guaranteed, the general obligations of the guarantor) are rated within the highest three Rating Categories by each Rating Agency;

(8) interest-bearing accounts in State or national banks or other financial institutions having principal offices in the State (including those of the Trustee or its affiliates) which, to the extent they are not insured by federal deposit insurance, are issued by an institution the general obligations of which are rated within the highest three Rating Categories by each Rating Agency;

(9) interests in any short-term investment fund (including those of the Trustee or its affiliates) restricted to investment in obligations described in any of clauses (1) through (5) of this definition, which are rated within the highest three Rating Categories by each Rating Agency;

(10) deposits in the Surplus Money Investment Fund referred to in Section 51003 of the Act; or

(11) other investment securities which will not cause any Unenhanced Rating on any Bonds to be reduced or withdrawn.

“Lender” means a financial institution which borrows money from the Agency in order to make, purchase or otherwise acquire a Borrower Loan.

“Lender Loan” means a loan made by the Agency to a Lender to finance one or more Borrower Loans, or a participation in such a loan made to a Lender.

“Liquidity Facility” means any Credit Facility, or that portion of any Credit Facility, under which amounts may be drawn or otherwise made available to provide moneys with which

to purchase Bonds tendered pursuant to their terms by Bondholders prior to their respective maturity dates or dates fixed for redemption.

“Liquidity Provider” means any person, firm or entity designated in a Series Indenture or Supplemental Indenture as providing a Liquidity Facility.

“Loan” means a Borrower Loan or a Lender Loan or a Mortgage-Backed Security.

“Loan Expenses” means the cost of real estate taxes, appraisal fees, insurance fees, legal fees and any other expenses which may be required to maintain any priority of the Agency’s lien, to protect or enforce the Agency’s rights, or to maintain in full force and effect or realize the benefits of any insurance or guarantee, on or with respect to any Loan.

“Loan Principal Prepayments” means any amounts, other than Risk Sharing Reimbursements, received by the Agency or the Trustee representing recovery of the Principal Balance of a Loan (exclusive of amounts representing regularly scheduled principal payments) as a result of

(1) any voluntary prepayment of all or part of the Principal Balance of a Loan, including any prepayment, fee, premium or other such additional charge;

(2) the sale, assignment or other disposition of a Loan (including assignment of a Loan to collect upon mortgage insurance, if any);

(3) the acceleration of a Loan (for default or any other cause) or the foreclosure or sale under a Deed of Trust or other proceedings taken in the event of default of such Loan; and

(4) compensation for losses incurred with respect to such Loan from the proceeds of condemnation, title insurance or hazard insurance.

“Loan Reserve Account Requirement” means, as of any particular date of calculation with respect to any particular Series, the amount specified for such date in the related Series Indenture, which Requirement, as to any Series, may be satisfied by a letter of credit, surety bond or other facility if so provided in the related Series Indenture.

“Mortgage-Backed Security” means a pass-through certificate, mortgage participation certificate or other mortgage-backed security issued by or in the name of, and guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association or the Government National Mortgage Association or, in each case, any successor federally-sponsored association or agency, registered or recorded in book-entry form in the name of the Trustee or the Agency, and backed by or representing an undivided interest in one or more Borrower Loans, or a participation interest in any of the foregoing types of securities.

“Original Issue Yield” means, with respect to any particular Bond, the original issue yield to maturity of such Bond from the initial date of delivery of such Bond, calculated on the

basis of semiannual compounding on the Interest Payment Dates and Principal Installment Dates for Bonds of the same Series.

“Principal Amount” means, as of any particular date of calculation with respect to any particular Bonds, the sum of (a) the principal amount as of such date of calculation of such Bonds not having an Accreted Value, plus (b) the Accreted Value as of such date of calculation of such Bonds having an Accreted Value.

“Principal Balance” means, with respect to each Loan, the unpaid principal balance thereof.

“Principal Installment” means, as of any particular date of calculation and with respect to any particular Series Outstanding on such date of calculation and with respect to any particular future date, an amount of money equal to the sum of (1) the Principal Amount of Outstanding Bonds of such Series which mature on such future date, reduced by the aggregate Principal Amount of such Outstanding Bonds of such Series which would at or before such future date cease to be Outstanding by reason of the application of Sinking Fund Installments at or before said future date, and (2) the amount of any Sinking Fund Installment payable on such Series on such future date.

“Principal Installment Date” means, with respect to any particular Series of Bonds, any date on which a Principal Installment with respect to such Series is required to be made.

“Principal Requirement” means, as of any particular date of calculation, with respect to any particular Series Outstanding on such date of calculation, an amount equal to the sum of (1) any previously unpaid Principal Installment of such Series then due (including any amount required to be reimbursed to any Credit Provider for payment of such Principal Installment) and (2) the portion of each Principal Installment for such Series that is to have been transferred to the Bond Account assuming ratable transfer (in proportion to the number of months elapsed) over the Principal Payment Period for such Bonds ending on the date such Principal Installment is due.

“Rating Agency” means, at any particular time with respect to any particular Series, any nationally recognized credit rating service designated by the Agency for such Series, if and to the extent such service has at the time one or more outstanding ratings of such Series. The Agency shall at all times have designated for each Series at least one such service as a Rating Agency for the Series.

“Rating Category” means one of the general rating categories of a Rating Agency (in the case of long-term securities only, without regard to any refinement or graduation of such category by numerical or symbolic modifier or otherwise).

“Revenues” means amounts received by the Agency or the Trustee

(1) as or representing payment or recovery of the principal of or interest on any Loan, including, without limiting the generality of the foregoing, scheduled payments of principal and interest on any Loan and paid from any source (including both timely and delinquent payments and any late charges) and Loan Principal Prepayments,

(2) any fees paid with respect to any Loan and expressly designated for deposit under the Indenture,

(3) amounts paid under any Deed of Trust or other Loan document as damages or reimbursement of expenses or otherwise,

(4) all Acquired Development Receipts,

(5) all amounts so designated by any Supplemental Indenture and required by such Supplemental Indenture to be deposited in the Revenue Account,

(6) all interest, profits or other income derived from the investment of amounts in any Account, and

(7) amounts received by the Agency or the Trustee under any Hedging Instrument;

but “Revenues” shall not include

(a) Escrow Payments,

(b) any amounts representing reimbursement to the Agency of advances of principal of or interest or expenses incurred by the Agency in connection with the collection or recovery of principal, or interest on, or other amounts due under, any Loan,

(c) the proceeds of hazard insurance to the extent used to repair or rebuild a damaged Development,

(d) servicing fees, insurance premiums, closing fees, finance charges, administrative fees, commitment fees or other similar fees, premiums or charges imposed by the Agency,

(e) amounts deposited in an Agency Payment Account, or

(f) amounts derived from any Credit Facility.

“Risk Sharing Insurance Payments” means amounts paid by HUD under the Risk Sharing Act representing initial claim payments (less any delinquent mortgage insurance premiums, late charges and interest or other amounts as may be assessed by HUD) in connection with an insurance claim with respect to a Loan.

“Risk Sharing Reimbursement” means moneys which, under the regulations applicable to the loan insurance provided pursuant to the Risk Sharing Act, are required to be paid to HUD following HUD’s payment of an insurance claim with respect to a Loan, including but not limited to:

(a) that portion of an initial claim payment by HUD in excess of the amount necessary to retire Bonds which financed or are deemed by the Agency to have financed the related Loan;

(b) Loan payments by a Borrower after payment of an insurance claim by HUD with respect to such Loan, up to an amount equal to that amount due to HUD; and

(c) that portion of the proceeds from the foreclosure of the related Loan equal to the amount due HUD.

“Secured Obligations” means

(1) the obligation of the Agency to pay the principal of, and the interest and premium, if any, on, all Bonds according to their tenor, and the performance and observance of all the Agency’s covenants and conditions in the Bonds and the Indenture;

(2) each obligation of the Agency to reimburse a Credit Provider for amounts drawn on or paid pursuant to a Credit Facility for the payment of obligations described in clause (1) of this definition, and the performance and observance of all the Agency’s covenants and conditions in any documents executed by the Agency in connection with a Credit Facility; and

(3) the payment and performance of all obligations of the Agency pursuant to any Hedging Instrument entered into with respect to all or any portion of the Bonds and specified as such in any Series Indenture;

but “Secured Obligations” shall not include any obligation of the Agency to purchase Bonds tendered prior to their maturity date or redemption date or to reimburse any Liquidity Provider for amounts drawn on or made available pursuant to a Liquidity Facility for the payment of any such purchase obligation.

“Series” or *“Series of Bonds”* means all Bonds of like designation authenticated and delivered on original issuance at the same time pursuant to a Series Indenture and any Bond or Bonds thereafter delivered in lieu of or as substitution for any of such Bonds pursuant to the General Indenture.

“Series Indenture” means any Supplemental Indenture authorizing the issuance of a Series and entered into between the Agency and the Trustee in accordance with the General Indenture.

“Sinking Fund Installment” means the amount of money required by or pursuant to the Indenture to be paid by the Agency on any single date toward the retirement of any particular Term Bonds of any particular Series on or prior to their respective stated maturities.

“State” means the State of California.

“Supplemental Indenture” means any indenture entered into between the Agency and the Trustee amending or supplementing the General Indenture in accordance with the provisions of the General Indenture.

“Tax Certificate” means each Tax Certificate, if any, dated the date of issuance and delivery of a Tax-Exempt Series, executed and delivered by the Agency, as amended, supplemented or otherwise modified from time to time.

“Unenhanced Rating” means with respect to any particular Bonds, the Agency’s unsecured general obligation bond rating assigned by each Rating Agency for such Bonds or, if the Agency does not have an unsecured general obligation bond rating, the long term credit rating, if any, assigned to such Bonds by each Rating Agency for such Bonds assuming that there were no Credit Facility for such Bonds.

Establishment and Application of Accounts

The General Indenture creates and establishes the Program Account, Revenue Account, Bond Account, Bond Reserve Account, Loan Reserve Account, Redemption Account, Acquired Development Account, Rebate Account, Agency Payment Account and Bond Purchase Account. In addition, other Accounts may be established by a Series Indenture for each Series of Bonds.

Revenue Account. All Revenues shall be deposited in the Revenue Account upon receipt, except that Loan Principal Prepayments shall be credited to the Redemption Account or under certain circumstances to the Program Account; income earned on amounts in the Bond Reserve Account and the Program Account will be deposited as herein described; Acquired Development Receipts shall be deposited in the Acquired Development Account; an amount of interest received with respect to an Investment Obligation equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Obligation shall be credited to the Account from which such accrued interest was paid; and amounts received in respect of any Hedging Instrument shall be credited as specified by the Agency in a Supplemental Indenture or an Officer’s Certificate. Notwithstanding the preceding sentence, the Agency may transfer Revenues directly to any investment agreement provided for credit to an Investment Obligation held in the name of the Agency and the Trustee or otherwise use such Revenues to purchase any other Investment Obligation to be held in trust for the benefit of the holders of all Secured Obligations. On or before each Interest Payment Date, the Trustee shall, out of the moneys then held in the Revenue Account, credit the following Accounts or make the following payments, in the following order of priority, the requirements of each such Account or party (including the making up of any deficiencies in any such Account or payment resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of credit or payment to be satisfied, and the results of such satisfaction being taken into account, before any credit or payment is made subsequent in priority:

- (1) To pay any Trustee, Paying Agent and Credit Provider fees and charges then due and payable, together with any fees and expenses of any tender agent, remarketing agent or other fiduciary for the Bonds, and, as directed by an Officer’s Certificate, to make each required rebate deposit, if any.

(2) To the Bond Account, to the extent necessary to increase the balance thereof so that it equals the sum on such day of (a) the Interest Requirements for all Series (when added to amounts to be charged to the Program Account to pay Capitalized Interest) and (b) the Principal Requirements for all Series.

(3) To the Bond Reserve Account, to the extent necessary to increase the amount therein to the sum of the Bond Reserve Account Requirements for all Series, if any.

(4) To the Loan Reserve Account, to the extent necessary to increase the amount therein to the sum of the Loan Reserve Account Requirements for all Series.

(5) To the Redemption Account or the Program Account, such amount as may be requested by an Officer's Certificate.

(6) To the Agency, free and clear of the lien of the Indenture, such amount as may be requested by an Officer's Certificate stating that after such transfer

(a) the sum of the amounts in

(i) the Program Account (including the aggregate Principal Balance of all Loans but excluding amounts reserved to pay Costs of Issuance and Capitalized Interest),

(ii) the Bond Reserve Account (not including the amounts of any surety bonds),

(iii) the Loan Reserve Account (not including the amounts of any surety bonds),

(iv) the Bond Account (to the extent to be used to pay Principal Installments),

(v) the Redemption Account (not including any amounts being held to pay Bonds that are to be paid but are no longer deemed Outstanding),

(vi) any supplementary reserve account created by a Supplemental Indenture (but only to the extent provided by such Supplemental Indenture), and

(vii) the Revenue Account (not including any amounts necessary to pay interest or Principal Installments on the Bonds on the next Interest Payment Date),

plus the present value (discounted on a semiannual basis at the composite yield of the then Outstanding related Bonds) of any additional Revenues pledged by the Agency under the Indenture, is equal to or greater than an amount equal to the Principal Amount of all then Outstanding Bonds; and

(b) Revenues pledged under the Indenture are projected to be sufficient to pay all Secured Obligations when due.

Notwithstanding the foregoing, the Trustee shall pay from the Revenue Account to the counterparty of any Hedging Instrument such amount as shall be due from the Agency or the Trustee thereunder, as specified in the related Series Indenture or Officer's Certificate consistent with the related Series Indenture, in such order of priority with respect to clauses (2) through (6) above as may be specified in such Series Indenture or Officer's Certificate.

Pursuant to a Supplemental Indenture, dated as of December 1, 2003, Revenues, upon receipt thereof, may be invested in Investment Obligations in the name of the Agency and held in trust for the benefit of the holders of all Secured Obligations.

Bond Account. The Trustee shall charge the Bond Account, on or prior to each Interest Payment Date, an amount equal to the unpaid Principal Installments and interest due on the Bonds on such Interest Payment Date, and shall cause the same to be applied to the payment of such interest and Principal Installments when due or to reimburse any Credit Provider which has advanced moneys to pay such interest and/or Principal Installments. The Trustee is authorized to withdraw funds from the Bond Account and transmit funds to the Paying Agents in order to make such payments.

When the amount in the Bond Account is greater than the balance required to be maintained therein, such excess amounts shall either be retained in such Account or, upon request of the Agency in an Officer's Certificate, credited to the Revenue Account.

In the event that the amount credited to the Bond Account is insufficient to pay interest when due or a Principal Installment on the Bonds when due, the Trustee shall immediately notify the Agency of such insufficiency and give the Agency the option to immediately transfer moneys to the Bond Account (from sources other than Revenues and other assets pledged under the Indenture) equal to all or any portion of the amount of such insufficiency. If all or any portion of the insufficiency remains after such notification, the Trustee shall credit to the Bond Account the amount of the insufficiency, after the Revenue Account charges described above, by charging the following Accounts in the following order of priority:

- (1) the Revenue Account;
- (2) the Redemption Account, except that no such charge shall be made from moneys to be used to effect a redemption for which notice of redemption has been provided;
- (3) the Program Account if and to the extent requested by the Agency;
- (4) the Loan Reserve Account, to the extent provided in the Indenture; and
- (5) the Bond Reserve Account, to the extent provided in the Indenture.

Agency Payment Account. If, following transfers described above under "Revenue Account" and the last paragraph under "Bond Account," there are not sufficient moneys to pay all interest and Principal Installments due and payable on any one or more Series, the Trustee shall again immediately notify the Agency in writing of the amount of such insufficiency and shall request from the Agency an immediate deposit of legally available moneys equal to the

aggregate such insufficiency. The Agency shall pay to the Trustee (from the Agency's other moneys legally available therefor, subject only to any agreements with the holders of other obligations of the Agency pledging any particular assets, revenues or moneys), for deposit in the Agency Payment Account the amount of the insufficiency. If the aggregate amount provided by the Agency is less than the aggregate amount of such insufficiency, any shortfall shall be allocated pro rata among the holders of the Bonds in proportion to the amounts then due and payable on such Bonds.

Amounts deposited with the Trustee by the Agency as described in the immediately preceding paragraph shall be deposited into the Agency Payment Account. Amounts in such Account shall only be used to pay interest or Principal Installments due and payable on the Bonds. When the amount in the Agency Payment Account is greater than the amount required therein, any excess amount shall either be retained in such Account or, upon the request of the Agency in an Officer's Certificate, be paid to the Agency.

Bond Reserve Account. If at any time there shall not be a sufficient amount in the Bond Account to pay interest or Principal Installments then coming due on the Bonds, and in the event that any amounts credited from the Revenue Account, the Redemption Account (to the extent of moneys with respect to which notice of redemption has not been given), the Program Account (if and to the extent requested by the Agency) and the Loan Reserve Account (to the extent provided in the Indenture) are insufficient to make up such deficiency, the Trustee shall charge the Bond Reserve Account and credit the Bond Account the amount of the deficiency then remaining. The Trustee shall immediately notify the Agency in writing of any such charge of the Bond Reserve Account.

The income realized from the investment or deposit of moneys attributable to the Bond Reserve Account shall be credited to the Revenue Account, subject to the provisions of the Act in effect at the time. When the balance of the Bond Reserve Account is greater than the sum of the Bond Reserve Account Requirements for all Series, such excess shall either be retained in such Account or, upon the request of the Agency in an Officer's Certificate, credited to the Redemption Account or the Revenue Account. Revenues deposited in the Bond Reserve Account may be used to reimburse draws on letters of credit, surety bonds or other facilities in the Bond Reserve Account if and to the extent that such reimbursement results in a commensurate increase in the amount of available coverage provided under the respective letter of credit, surety bond or other facility.

The amount of available coverage provided under any letter of credit, surety bond or other facility attributable to the Bond Reserve Account shall be included in calculating the amount credited to such Account, except for purposes as described in clause (6) above under "Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account."

Loan Reserve Account. If at any time there shall not be a sufficient amount credited to the Bond Account to pay interest or Principal Installments then becoming due on the Bonds, and in the event that the amount credited from other Accounts is not sufficient to make up such deficiency, the Trustee shall charge the Loan Reserve Account and credit the Bond Account the amount of the deficiency then remaining. Revenues deposited in the Loan Reserve Account may

be used to reimburse draws on letters of credit, surety bonds or other facility in the Loan Reserve Account if and to the extent that such reimbursement results in a commensurate increase in the amount of available coverage provided under such letter of credit, surety bond or other facility.

The amount of coverage provided under any letter of credit, surety bond or other facility attributable to the Loan Reserve Account shall be included in calculating the amount credited to such Account, except for purposes as described in clause (6) above under “Summary of Certain Provisions of the Indenture — Establishment and Application of Accounts — Revenue Account.”

Redemption Account. Bonds are required to be purchased or redeemed by the Trustee with moneys credited to the Redemption Account upon instructions from the Agency (which must be delivered within ten days after receipt by the Agency of any moneys representing Risk Sharing Insurance Payments, or such longer or shorter period as may be appropriate in order for the Agency to comply with the Risk Sharing Act) determining or certifying the following:

- (1) The Series to be purchased or redeemed;
- (2) The maturities and tenors within such Series from which Bonds are to be purchased or redeemed;
- (3) The Principal Amount of Bonds within such maturities and tenors to be purchased or redeemed;
- (4) If any of the Bonds to be purchased or redeemed are Term Bonds, the years in which related Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined are to be reduced, provided that the aggregate amount of such reductions in Sinking Fund Installments shall equal the aggregate Principal Amount of Term Bonds to be purchased or redeemed;
- (5) That upon purchase or redemption of Bonds pursuant to the determinations made under the provisions of clauses (1) through (4) above (other than pursuant to Sinking Fund Installments), there shall be either no material adverse effect on the ability of the Agency to pay all Secured Obligations when due or after such purchase or redemption Revenues and other amounts then pledged under the Indenture are projected to be sufficient to pay the Secured Obligations when due; and
- (6) The amount and source of funding for any Risk Sharing Reimbursement that may be required to be repaid to HUD.

Notwithstanding the preceding paragraph, any Loan Principal Prepayments that have been credited to the Redemption Account for a period exceeding six months shall be applied by the Trustee to purchase or redeem Bonds of the related Series.

Acquired Development Account. Upon receipt of an Officer’s Certificate in the form required by the Indenture, the Trustee shall charge the Acquired Development Account and pay the costs or expenses incurred in connection with an Acquired Development as specified in such certificate. Payments from the Acquired Development Account shall be made upon a request of

the Agency in an Officer's Certificate which states, with respect to each payment, that the amount of such payment, added to the amount of all previous payments made with respect to the specified Acquired Development during the current period for which an Acquired Development Expense Requirement has been established by the Agency for that Acquired Development, does not exceed such Acquired Development Expense Requirement.

When the balance of the Acquired Development Account is greater than the Acquired Development Expense Requirement, the excess amount shall be credited to the Revenue Account.

Bond Purchase Account. A Series Indenture may create one or more subaccounts within the Bond Purchase Account for the purpose of holding amounts to be used to purchase related Bonds tendered by Bondholders pursuant to the terms of such Series Indenture. Such subaccounts shall be held in trust by the Fiduciary designated by such Series Indenture for the purposes specified by such Series Indenture. Amounts in the Bond Purchase Account are not pledged by the Indenture as security for the payment of Secured Obligations; and the term "Secured Obligations" shall not include any obligation of the Agency to purchase Bonds tendered prior to their maturity date or redemption date or to reimburse any Liquidity Provider for amounts drawn on or made available pursuant to a Liquidity Facility for the payment of any such purchase obligation.

Program Account. Each Series Indenture authorizing the issuance of a Series of Bonds, excepting Bonds which are issued as Refunding Bonds, shall establish a separate subaccount in the Program Account and specify the amount of Bond proceeds to be deposited therein. Except as otherwise provided in the Indenture, moneys in a subaccount of the Program Account shall be used solely for the financing of Loans (including accrued interest thereon), redemption of Bonds by operation of the Redemption Account, payment of Costs of Issuance, and payment of Capitalized Interest. The income realized from the investment or deposit of moneys attributable to a subaccount of the Program Account shall be credited to the Revenue Account unless retained in any such subaccount at the request of the Agency in an Officer's Certificate or unless so provided in the related Series Indenture.

In the event that there are amounts remaining in a subaccount of the Program Account derived from Bond proceeds three years after the issuance of the related Series, or such earlier or later date as may be provided in the Indenture or the related Series Indenture, such amounts (excluding amounts continuing to be reserved for the financing of Loans and for the payment of Capitalized Interest and Costs of Issuance) shall be transferred to the Redemption Account; *provided, however*, that such transfer may be to a different Account or subaccount specified by an Officer's Certificate or such date of transfer may be extended under certain circumstances as provided in the Indenture.

Pursuant to a supplemental indenture, dated as of September 1, 2002, between the Agency and the Trustee, the Agency may take possession of any subaccount of the Program Account, upon request of the Agency; provided that the Agency shall administer and invest the funds on deposit in such subaccount and otherwise take all actions, as may be necessary for the Trustee to comply with its responsibilities under the Indenture.

Loan Principal Prepayments

Loan Principal Prepayments shall be credited to the Redemption Account, unless the Agency files with the Trustee an Officer's Certificate directing the Trustee to credit all or any portion of such Loan Principal Prepayments to another Account or subaccount and stating that

(1) either

(a) such crediting will have no material adverse impact on the Agency's ability to pay all Secured Obligations when due, or

(b) after such crediting, Revenues and other amounts then pledged under the Indenture are projected to be sufficient to pay all Secured Obligations when due, and

(2) such crediting is not in violation of any related Series Indenture or, to the extent applicable, the Risk Sharing Act.

Investment of Funds

Moneys attributable to the Accounts, on instructions confirmed in writing by the Agency, shall be invested by the Trustee in Investment Obligations; *provided, however*, that moneys attributable to the Revenue Account and the Program Account may be invested in Investment Obligations in the name of the Agency and held in trust for the benefit of the holders of all Secured Obligations.

Covenants

Under the Indenture the Agency covenants, among other things, as provided below:

The Agency shall not cause any Bonds to be purchased or redeemed other than pursuant to Sinking Fund Installments unless either

(1) such purchase or redemption has no material adverse effect on the ability of the Agency to pay all Secured Obligations when due or

(2) after such purchase or redemption, Revenues and other amounts then pledged under the Indenture are projected to be sufficient to pay the Secured Obligations when due.

The Agency may consent to a modification of, or modify, the rate or rates of interest on, or the amount or time of payment of any installment of principal of or interest on, any Loan or the security for or any terms or provisions of any Note or Deed of Trust unless such modification materially adversely affects the ability of the Agency to pay all Secured Obligations when due or to realize the benefits of any applicable insurance.

In the event that a Loan becomes a Defaulted Loan, the Agency shall promptly identify such Loan to the Trustee and state the principal amount then due on the Loan and any other

information reasonably requested by the Trustee, all as more fully described in the Indenture. The Agency shall take all steps, actions and proceedings reasonably necessary to recover the balance due and to become due on a Defaulted Loan or to realize the benefit of any insurance of such Loan or guarantee thereof, including but not limited to the prompt filing of notices of default, claims payment and extensions for filing claims with HUD pursuant to the Risk Sharing Act.

The Agency may not sell or otherwise transfer a Loan unless either

(A) such sale or transfer has no material adverse impact on the ability of the Agency to pay all Secured Obligations when due or

(B) after such sale or transfer Revenues and other amounts then pledged under the Indenture are projected to be sufficient to pay all Secured Obligations when due.

The Agency may exchange any Borrower Loan for a Mortgage-Backed Security relating to such Loan.

Upon the occurrence of an Event of Default under the Indenture and upon written request of the Trustee or the Holders of not less than twenty-five percent (25%) in Principal Amount of the Outstanding Bonds, the Agency shall assign any or all of the Loans held by the Agency to the Trustee; provided, however, if the Trustee and the Bondholders are restored to their positions in accordance with the Indenture, the Trustee shall assign such Loans back to the Agency.

The Agency has covenanted to keep and maintain proper books of record and account in which complete and accurate entries will be made of all its transactions relating to the Bonds, the Loans and the Accounts. The Indenture requires that such books be open for inspection at reasonable times by the Trustee, any Credit Provider and any Holders of not less than five percent (5%) in Principal Amount of Bonds then Outstanding.

Additional Obligations

No obligation of the Agency shall be created or issued by the Agency which is secured by a charge or lien prior to or on a parity with the lien of the Indenture on the Revenues or other security for the Bonds other than additional parity Bonds under the Indenture, except that the Agency may enter into any Hedging Instrument with respect to all or any portion of the Bonds or any agreements with a Credit Provider pursuant to which payments from the Agency may be secured on a parity with the Bonds.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the Indenture unless, among other things, the conditions described above under “Security for the Bonds — Additional Bonds” are satisfied.

Amendments

A Series Indenture or Supplemental Indenture may be entered into by the Agency and the Trustee without the consent of any Credit Provider or the owners of the Bonds to:

(1) Provide for the issuance of a Series and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed which are not contrary to or inconsistent with the Indenture;

(2) Close the Indenture against, or provide limitations and restrictions in addition to those contained in the Indenture on, the issuance of future Bonds or of other notes, bonds, obligations or evidences of indebtedness;

(3) Add to the covenants or agreements contained in the Indenture to be observed by the Agency, which are not materially adverse to the interests of the Bondholders or any of the Credit Providers;

(4) Add to the limitations or restrictions contained in the Indenture or surrender any right, power or privilege reserved to or conferred upon the Agency, provided that such actions are not inconsistent with the provisions of the Indenture;

(5) Surrender any right, power or privilege reserved to or conferred upon the Agency in the General Indenture, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Agency contained in the Indenture;

(6) Confirm any pledge under and the subjection to any lien or pledge created or to be created by the Indenture of Revenues or any other moneys, securities or funds;

(7) Appoint a successor Fiduciary;

(8) Cure any ambiguity, supply any omission, or cure any defect or inconsistent provision in the Indenture;

(9) Insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not materially adverse to the interests of the Bondholders or any Credit Provider;

(10) Provide for the issuance of bearer Bonds or coupon Bonds, registrable as to principal, subject to any applicable requirements of law;

(11) Provide for the issuance of book-entry form Bonds or to modify the provisions with respect thereto;

(12) Modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect or under any state securities registration or “blue sky” law;

(13) Make any other change which does not materially adversely affect the interests of the Bondholders or any Credit Providers; or

(14) Make any other change in the Indenture, including any change otherwise requiring the consent of the Bondholders under the Indenture, if such change affects only Bonds which are subject to mandatory or optional tender for purchase and if

(i) with respect to Bonds subject to mandatory tender, such change is effective as of a date for such mandatory tender, and

(ii) with respect to Bonds subject to tender at the option of the holders thereof, notice of such change is given to such holders at least thirty days before the effective date thereof.

Any other modification or amendment of the Indenture and of the rights and obligations of the Agency and of the Holders of the Bonds, in any particular, may be made by a Supplemental Indenture with the written consent of each Credit Provider and the Holders of at least fifty percent (50%) in Principal Amount of the Bonds Outstanding at the time such consent is given; *provided, however*, that (i) if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds for amendment purposes under the Indenture and (ii) if so provided by the related Series Indenture, the consent of the Credit Provider for a Series shall be deemed to be the consent of the holders of one-hundred percent (100%) in Principal Amount of the Bonds Outstanding of such Series; and *provided, further*, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the Principal Amount or the Redemption Price thereof or the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages of Bonds the consent of the Holder of which is required to effect any such modification or amendment, or permit the creation of a lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien of the Indenture, or deprive the holders of the Bonds of the lien created by the Indenture upon such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding. Nothing under this subheading shall be interpreted as prohibiting the Agency from modifying or amending the terms of any Bond with the consent of the Holder of such Bond if such modification or amendment has no material adverse effect on the interests of any Credit Provider or of any other Bondholder.

Events of Default

Each of the following shall constitute an Event of Default under the Indenture:

(i) if interest on any of the Bonds shall not be paid when due, or any Principal Installment or redemption premium, if any, of any of the Bonds shall become due on any date, and shall not be paid when due, whether at maturity or upon call for redemption; or

(ii) if a default shall be made in the observance or performance of any covenant, contract or other provision contained in the Bonds or the Indenture and such default shall continue for a period of ninety (90) days after written notice to the Agency from the

Holders of at least five percent (5%) of the Principal Amount of the Bonds Outstanding at such time or from the Trustee specifying such default and requiring the same to be remedied; or

(iii) if there shall have been entered an order or decree, by a court having jurisdiction in the premises, for relief against the Agency in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Agency or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such order or decree shall have continued unstayed and in effect for a period of sixty (60) consecutive days; or

(iv) if there shall have been instituted or commenced by the Agency a voluntary case under any applicable bankruptcy, insolvency, receivership or other similar law now or hereafter in effect, or the Agency shall have consented to the entry of an order for relief against it in any involuntary case under any such law, or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Agency or of any substantial part of its property, or the Agency shall have made an assignment for the benefit of creditors, or failed generally to pay its debts as they become due, or admitted in writing such failure, or shall have taken any action in the furtherance of any such action; or

(v) if the State has limited or altered the rights of the Agency pursuant to the Act, as amended to the date of the Indenture, to fulfill the terms of any agreements made with the Holders of Bonds or in any way impaired the rights and remedies of Holders of Bonds prior to the time such Bonds, together with the interest thereon and with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

Remedies

Upon the occurrence and continuation of any Event of Default under the Indenture, the Trustee shall give notice of such Event of Default to each Credit Provider. After notice to the Agency, the Trustee may, and upon the written request of any Credit Provider or of the Holders of not less than twenty-five percent (25%) in Principal Amount of the Bonds then Outstanding the Trustee must, proceed to protect and enforce any rights of the Trustee and, to the full extent that the Holders of such Bonds themselves might do, the rights of such Bondholders under the laws of the State or under the Indenture by such of the following remedies as the Trustee shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Holders of Bonds, including the right to require the Agency to receive and collect Revenues adequate to carry out the pledge, the assignments in trust and the covenants and agreements made in the Indenture, and to require the Agency to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

- (2) by bringing suit upon the Bonds;
- (3) by action or suit in equity, to require the Agency to account as if it were the trustee of an express trust for the Holders of Bonds;
- (4) by realizing or causing to be realized through sale or otherwise upon the security pledged under the Indenture; and
- (5) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of Bonds.

No Holder of any Bond shall have the right to institute any proceedings for any remedy under the Indenture unless:

- (i) following the occurrence of an Event of Default the Trustee, after being requested in writing to institute such proceedings by any Credit Provider or by the Holders of not less than twenty-five percent (25%) in Principal Amount of the Bonds then Outstanding, and after having been offered satisfactory indemnity, shall have refused or neglected to comply with such request within a reasonable time or
- (ii) such Holder obtains the previous consent of the Trustee and such proceeding is brought for the ratable benefit of all Holders of all Bonds.

Subject to the terms of the Indenture, in the event that at any time the moneys credited to the Bond Account and any other funds held by the Agency or Fiduciaries available for the payment of interest or principal or Redemption Price then due with respect to Bonds shall be insufficient for such payment, such moneys and funds (other than funds held for the payment or redemption of particular Bonds as provided in the Indenture) shall be applied as follows:

First: To the payment of the fees, costs and expenses of the Trustee (including the fees and expenses of counsel) in declaring such event of Default and pursuing remedies;

Second: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, or to reimburse any Credit Provider for amounts advanced for payment thereof; and

Third: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order in which they become due and payable, and, if the amount available shall not be sufficient to pay in full all the Bonds so due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference, or to reimburse any Credit Provider for amounts advanced for payment thereof.

Right to Direct Proceedings

Upon the occurrence of an Event of Default under the Indenture, the Holders of a majority in Principal Amount of the Bonds then Outstanding, subject to the limitations described in the first paragraph under “Remedies” above, by an instrument in writing executed and delivered to the Trustee, shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee; *provided, however*, that such direction shall not be otherwise than in accordance with the provisions of law and shall not involve the Trustee in personal liability or be unjustly prejudicial to Bondholders not parties to such direction.

Defeasance

Bonds for the payment or redemption of which

(i) moneys or specified securities of the United States Government, any federal agency or the State have been deposited with the Trustee in an amount together with interest paid thereon sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, or

(ii) the Credit Provider for such Bonds shall have consented to such redemption and shall have agreed to advance amounts sufficient to provide the amount described in the preceding clause (i)

shall be deemed to have been paid, provided that, if any of such Bonds are to be redeemed prior to the maturity thereof, provision satisfactory to the Trustee shall have been made for giving notice of such redemption.

The Trustee

U.S. Bank National Association is appointed as Trustee under the Indenture for the purpose of receiving all moneys which the Agency is required to deposit with the Trustee, to hold in trust, allocate, use and apply the same as provided in the Indenture and otherwise to hold all the offices and to perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

The Agency may remove the Trustee upon 30 days’ prior written notice at any time, unless an Event of Default shall have occurred and be continuing under the Indenture, and shall remove the Trustee if requested to do so by an instrument in writing signed by the Holders of not less than a majority in aggregate Principal Amount of the Bonds then Outstanding or if the Trustee becomes ineligible under the Indenture. The Trustee may at any time resign, as provided in the Indenture, and upon such resignation the Agency shall appoint a successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall not become effective until acceptance of appointment by the successor Trustee and each Credit Provider has been transferred to such successor Trustee. Any Trustee shall be a bank or trust company, having trust powers, doing business and having an office in California, having capital and

surplus aggregating at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority.

STATE PLEDGE

In accordance with Section 51373 of the Act, the Agency has included the following pledge and agreement of the State in the Indenture:

The State pledges with the Holders of any Bonds issued under the Indenture that the State will not limit or alter the rights vested in the Agency to fulfill the terms of any agreements made with the Holders or in any way impair the rights and remedies of such Holders until such Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

LEGALITY FOR INVESTMENT

Under the Act, the Bonds are legal investments for all public officers and public bodies of the State or its political subdivisions, all municipalities and municipal subdivisions, all insurance companies or banks, savings and loan associations, building and loan associations, trust companies, savings banks, savings associations and investment companies, and administrators, guardians, conservators, executors, trustees and other fiduciaries, and may be used as security for public deposits.

INDEPENDENT AUDITORS

The combined financial statements of the California Housing Finance Fund (which is administered by the California Housing Finance Agency), as of June 30, 2009 and for the years ended June 30, 2009 and June 30, 2008, included in this Reoffering Statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing herein.

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APPENDIX A

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY OR
EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

DEVELOPMENTS UNDER CONSTRUCTION OR AWAITING PERMANENT LOAN ORIGINATION (1)

| Name of Development | Location (City and County) | Name of Borrower | Name of Contractor | Construction Lender | Status (Percentage Completed) | Projected Permanent Loan Origination Date | Projected Permanent Loan Amount | Projected Tax Exempt Bridge Loan Amount and Term (2) | Projected Total Development Cost | Projected Loan Interest Rate and Term | Projected Lender Loan Interest Rate and Term | Projected Construction Loan Interest Rate and Term (3) | Projected Number of Units | Status of FHA Risk-Sharing |
|---|-------------------------------|---|---------------------------|--------------------------|----------------------------------|---|---------------------------------|--|----------------------------------|---------------------------------------|--|--|---------------------------|----------------------------|
| Developments Expected to be Financed by the 2007 Series A Bonds: | | | | | | | | | | | | | | |
| Fireside Apartments (4) | Mill Valley, Marin | Fireside Affordable, L.P., a limited partnership | Catilli Contractor | CalHFA | 89% | January, 2010 | \$ 1,350,000 250,000 | \$ 4,450,000 3 years | \$ 18,863,670 | 3.00% 25 years | N/A | (5) | 50 | No Risk-Sharing |
| | | | | | | Subtotal | \$ 1,600,000 | \$ 4,450,000 | \$ 18,863,670 | | | | 50 | |
| Developments Expected to be Financed by the 2007 Series B Bonds: | | | | | | | | | | | | | | |
| Diamond Aisle Apts. (6) | Anaheim, Orange | Diamond Aisle, L.P. | Wermers Multifamily Corp. | CalHFA | 100% | November, 2009 | \$ 770,000 | \$0 | \$ 5,639,000 | 1.00% 10 years | N/A | (5) | 25 | No Risk-Sharing |
| Parkview Apts. (7) | Sacramento, Sacramento | Parkview Affordable, L.P., a limited partnership | Precision GCC | AIMCO Parkview Devco.LLP | 11% | November, 2009 | 4,520,000 | 0 | 9,056,076 | 5.30% 30 years | N/A | (5) | 97 | No Risk-Sharing |
| | | | | | | Subtotal | \$ 5,290,000 | \$0 | \$ 14,695,076 | | | | 122 | |
| Developments Expected to be Financed by the 2007 Series C Bonds: | | | | | | | | | | | | | | |
| Casa de las Hermanitas (7) | Los Angeles, Los Angeles | CDLH Affordable, L.P., a limited partnership | Precision GCC | CalHFA | 100% | December, 2009 | \$ 4,490,000 | \$0 | \$ 4,742,953 | 5.20% 30 years | N/A | (5) | 88 | No Risk-Sharing |
| Ridgewood / La Loma (7) | Sacramento, Sacramento | RL Affordable, L.P., a limited partnership | Precision GCC | CalHFA | 14% | January, 2010 | 3,165,000 | 0 | 4,056,976 | 5.20% 30 years | N/A | (5) | 75 | No Risk-Sharing |
| Yosemite Manor (7) | Madera, Madera | Mores Yosemite Manor, L.P., a limited partnership | Ashwood Construction | CalHFA | 100% | November, 2009 | 950,000 | 0 | 7,158,685 | 5.30% 30 years | N/A | (5) | 76 | No Risk-Sharing |
| | | | | | | Subtotal | \$ 8,605,000 | \$0 | \$ 15,958,614 | | | | 239 | |
| Developments Expected to be Financed by the 2008 Series A Bonds: | | | | | | | | | | | | | | |
| Bay Alexis Apartments (7) | San Francisco, San Francisco | Alexis Apartments of St. Patrick's Parish | Fine Line Construction | CalHFA | 100% | January, 2010 | \$ 9,600,000 | \$0 | \$ 10,312,358 | 5.00% 30 years | N/A | (5) | 206 | No Risk-Sharing |
| Developments Expected to be Financed by the 2008 Series B Bonds: | | | | | | | | | | | | | | |
| Bay Avenue Senior (8) | Capitola, Santa Cruz | Bay Avenue Senior Housing, LP | Branaugh | CalHFA | 4% | December, 2009 | \$ 7,200,000 | \$0 | \$ 25,454,000 | 3.00% 35 years | N/A | (5) | 109 | No Risk-Sharing |
| Villa Springs (7) | Hayward, Alameda | Villa Springs Apartments, LP | D&H Construction | CalHFA | 100% | November, 2009 | 3,100,000 | 0 | 8,924,232 | 5.00% 30 years | N/A | (5) | 66 | No Risk-Sharing |
| | | | | | | Subtotal | \$ 10,300,000 | \$0 | \$ 34,378,232 | | | | 175 | |
| | | | | | | Total | \$ 35,395,000 | \$ 4,450,000 | \$ 94,207,950 | | | | 792 | |

| Name of Development | Location (City and County) | Name of Borrower | Name of Contractor | Construction Lender | Status (Percentage Completed) | Projected Permanent Loan Origination Date | Projected Permanent Loan Amount | Projected Tax Exempt Bridge Loan Amount and Term (2) | Projected Total Development Cost | Projected Loan Interest Rate and Term | Projected Construction Loan Interest Rate and Term (3) | Projected Number of Units | Status of FHA Risk-Sharing |
|---------------------|-------------------------------|------------------|--------------------|---------------------|----------------------------------|---|---------------------------------|---|----------------------------------|---------------------------------------|---|---------------------------|----------------------------|
|---------------------|-------------------------------|------------------|--------------------|---------------------|----------------------------------|---|---------------------------------|---|----------------------------------|---------------------------------------|---|---------------------------|----------------------------|

- (1) All of these developments have received final loan commitments from the Agency.
- (2) Such loans will not be insured under the Risk Sharing Program or by other FHA Insurance.
- (3) Please refer to section "Construction Lending" herein for a full description of the construction loan program.
- (4) The Agency is expected to subsidize the interest rate on these permanent loans from 3% to 5.3%. The source of funds for this subsidy is expected to be the Agency's share of McKinney Act savings from certain FAF projects.
- (5) These Lender and Construction loans have been originated. See Appendix C - Completed Developments.
- (6) The Agency is expected to subsidize the interest rate on the permanent loan from 1% to 5.20%. The source of funds for this subsidy is expected to be the Agency's share of McKinney Act savings from certain FAF projects.
- (7) These Developments receive, and are expected to receive, Section 8 subsidy.
- (8) The Agency is expected to subsidize the interest rate on the permanent loan from 3% to 5%. The source of funds for this subsidy is expected to be the Agency's share of McKinney Act savings from certain FAF projects.

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

COMPLETED DEVELOPMENTS**APPENDIX A**

| Name of Development | Location (City and County) | Total Development Cost | Original Tax- Exempt Loan Amount | Original Loan Amount Not Tax- Exempt | Number of Units | Outstanding Tax- Exempt Loan Balance as of September 30, 2009 | Existing Tax- Exempt Loan Interest Rate | Subsidizing Tax- Exempt Loan Interest Rate (1) | Existing Tax- Exempt Loan Term | Permanent Loan Maturity Date | HAP Contract Expiration Date | Replacement Reserve Balance September 30, 2009 | FHA Insurance |
|--|---------------------------------|------------------------------|--|--|--------------------|--|---|---|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Developments Financed by the 1997 Series A Bonds: | | | | | | | | | | | | | |
| Arbor Terraces | San Jose, Santa Clara | \$ 8,773,267 | \$ 4,450,000 | N.A. | 86 | \$ 3,734,612 | 6.75% | N.A. | 30 Years | January, 2029 | N.A. | \$ 92,627 | Risk-Share |
| Ashwood Village Apts. | Modesto, Stanislaus | 9,047,029 | 5,040,000 | N.A. | 120 | 4,503,918 | 6.75% | N.A. | 35 Years | April, 2034 | N.A. | 213,104 | Risk-Share |
| Cordova Village | Chula Vista, San Diego | 4,354,083 | 2,174,800 | N.A. | 40 | 1,938,181 | 6.75% | N.A. | 35 Years | February, 2034 | N.A. | 133,399 | Risk-Share |
| Lark Ellen | West Covina, Los Angeles | 13,870,580 | 5,600,000 | N.A. | 122 | 5,163,381 | 6.75% | N.A. | 40 Years | November, 2038 | N.A. | 173,625 | Risk-Share |
| Panas Place | Santa Rosa, Sonoma | 9,864,710 | 3,316,000 | N.A. | 66 | 3,095,176 | 6.75% | N.A. | 40 Years | January, 2040 | N.A. | 122,436 | Risk-Share |
| Parkside Glen | San Jose, Santa Clara | 24,074,558 | 14,200,000 | N.A. | 180 | 11,991,552 | 6.75% | N.A. | 6 Years | April, 2029 | N.A. | 197,826 | Risk-Share |
| Pecan Court | Napa, Napa | 3,538,477 | 1,070,000 | N.A. | 25 | 1,001,231 | 6.75% | N.A. | 30 Years | April, 2040 | N.A. | 93,794 | Risk-Share |
| Renwick Square | Elk Grove, Sacramento | 9,871,471 | 6,000,000 | N.A. | 150 | 5,339,951 | 6.75% | N.A. | 4 Years | January, 2034 | N.A. | 205,793 | Risk-Share |
| Schoolhouse Court | Napa, Napa | 2,840,530 | 770,000 | N.A. | 14 | 718,723 | 6.75% | N.A. | 35 Years | January, 2040 | N.A. | 40,268 | Risk-Share |
| Stonegate Apts. | San Jose, Santa Clara | 17,404,276 | 10,225,000 | N.A. | 120 | 8,823,565 | 6.75% | N.A. | 4 Years | March, 2030 | N.A. | 243,815 | Risk-Share |
| Villa Savannah (2) | San Jose, Santa Clara | 19,901,082 | 6,784,200 | N.A. | 140 | 5,854,359 (2) | 6.75% | N.A. | 30 Years | March, 2030 | N.A. | 269,884 | Risk-Share |
| Subtotals | | \$ 123,540,063 | \$ 62,135,000 | \$0 | 1063 | \$ 52,164,648 | | | | | | \$ 1,786,570 | |
| Developments Financed by the 1998 Series A Bonds: | | | | | | | | | | | | | |
| Bermuda Gardens | San Leandro, Alameda | \$ 6,238,630 | \$ 2,985,000 | N.A. | 80 | 2,522,200 | 6.45% | N.A. | 30 Years | August, 2029 | N.A. | \$ 104,651 | Risk-Share |
| Britton Street (3) | San Francisco, San Francisco | 17,690,213 | 2,810,000 | N.A. | 92 | 1,479,976 (3) | 6.00% | N.A. | 15 Years | December, 2015 | N.A. | 297,092 | Risk-Share |
| Center Pointe Villas (4) | Norwalk, Los Angeles | 18,606,940 | 780,000 | N.A. | 240 | 726,023 (4) | 6.05% | N.A. | 1 Year | December, 2037 | N.A. | 620,098 | None |
| Hookston Manor | Pleasant Hill, Contra Costa | 8,517,261 | 4,250,000 | N.A. | 101 | 3,607,892 | 5.90% | N.A. | 35 Years | May, 2030 | N.A. | 206,545 | Risk-Share |
| Owl's Landing | Livermore, Alameda | 14,942,706 | 4,800,000 | N.A. | 72 | 4,370,678 | 6.35% | N.A. | 5 Years | January, 2036 | N.A. | 67,730 | Risk-Share |
| Park Place Apts. (5) | Van Nuys, Los Angeles | 9,543,406 | 2,230,000 | N.A. | 142 | 4,006,582 | 5.90% | N.A. | 8 Years | June, 2031 | N.A. | 135,930 | None |
| Rancho Carrillo Family Apts. | Carlsbad, San Diego | 15,121,294 | 200,000 | N.A. | 116 | 12,877 (5) | 6.20% | N.A. | 30 Years | January, 2036 | N.A. | 384,691 | Risk-Share |
| Tahoe Valley Townhomes | S. Lake Tahoe, El Dorado | 6,527,497 | 7,060,000 | N.A. | 70 | 6,392,393 | 6.05% | N.A. | 35 Years | January, 2030 | N.A. | 121,033 | Risk-Share |
| West Oaks Apts. | Santa Rosa, Sonoma | 7,599,096 | 2,925,000 | N.A. | 53 | 2,718,963 | 6.50% | N.A. | 40 Years | January, 2040 | N.A. | 35,329 | Risk-Share |
| Windmere II | Davis, | 5,898,754 | 830,000 | N.A. | 58 | 1,860,681 | 6.50% | N.A. | 5 Years | January, 2035 | N.A. | 42,758 | Risk-Share |

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

COMPLETED DEVELOPMENTS**APPENDIX A**

| Name of Development | Location (City and County) | Total Development Cost | Original Tax- Exempt Loan Amount | Original Loan Amount Not Tax- Exempt | Number of Units | Outstanding Tax- Exempt Loan Balance as of September 30, 2009 | Existing Tax- Exempt Loan Interest Rate | Subsidizing Tax- Exempt Loan Interest Rate | Existing Tax- Exempt Loan Term | Permanent Loan Maturity Date | HAP Contract Expiration Date | Replacement Reserve Balance September 30, 2009 | FHA Insurance |
|--|-------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Yolo | | \$ 795,000 | | | | 0 | 6.35% | N/A | 3 Years | | | \$ 2,015,855 | |
| Subtotals | | \$ 110,685,797 | \$ 42,100,000 | \$ 0 | 1024 | \$ 29,912,340 | | | | | | | |
| Developments Financed by the 1998 Series B Bonds: | | | | | | | | | | | | | |
| The Arbors | Hercules, Contra Costa | \$ 8,669,332 | \$ 3,397,600 | N.A. | 60 | \$ 2,639,003 | 5.90% | N/A | 25 Years | March, 2025 | N.A. | \$ 218,283 | Risk-Share |
| Brannan Court | Sacramento, Sacramento | 2,400,000 | 1,980,000 | N.A. | 40 | 1,231,377 | 9.95% | N/A | 30 Years | November, 2018 | N.A. | 112,802 | None |
| CCBA Senior Garden | San Diego, San Diego | 4,499,370 | 1,950,000 | N.A. | 45 | 1,737,439 | 6.05% | N/A | 35 Years | January, 2035 | N.A. | 168,815 | Risk-Share |
| Center Pointe Villas (4) | Norwalk, Los Angeles | (4) | 11,200,000 | N.A. | (4) | 10,424,953 | 6.05% | N/A | 35 Years | December, 2037 | N.A. | (4) | None |
| Century Village | Fremont, Alameda | 8,100,378 | 4,000,000 | N.A. | 100 | 3,043,459 | 7.25% | N/A | 30 Years | March, 2025 | N.A. | 71,122 | Risk-Share |
| Farley Place | Belvedere, Marin | 1,250,772 | 636,000 | N.A. | 11 | 512,851 | 7.50% | N/A | 30 Years | August, 2028 | N.A. | 8,715 | None |
| Gravenstein North Apts. | Sebastopol, Sonoma | 1,951,890 | 1,715,000 | N.A. | 42 | 1,017,712 | 7.50% | N/A | 30 Years | August, 2018 | N.A. | 172,836 | None |
| The Lakes | Selma, Fresno | 2,524,137 | 1,800,000 | N.A. | 39 | 1,404,487 | 7.25% | N/A | 30 Years | December, 2025 | N.A. | 90,577 | Risk-Share |
| Lincoln Gardens | Woodland, Yolo | 2,199,580 | 1,500,000 | N.A. | 66 | 1,183,135 | 7.50% | N/A | 30 Years | February, 2028 | N.A. | 50,242 | None |
| Meadow Glen Apts. | Pittsburg, Contra Costa | 1,965,300 | 1,088,000 | N.A. | 32 | 883,098 | 7.50% | N/A | 30 Years | July, 2030 | N.A. | 110,779 | None |
| Mercy Village Folsom | Folsom, Sacramento | 5,461,078 | 2,350,000 | N.A. | 81 | 1,840,362 | 3.50% | 6.20% | 30 Years | January, 2030 | N.A. | 96,905 | Risk-Share |
| Montebello Senior Villas | Montebello, Los Angeles | 14,717,780 | 4,000,000 | N.A. | 160 | 3,443,919 | 5.90% | N/A | 30 Years | December, 2030 | N.A. | 363,069 | Risk-Share |
| Montevista Apts. | Milpitas, Santa Clara | 41,758,802 | 22,698,100 | \$ 4,500,000 | 306 | 21,138,391 | 6.75% | N/A | 40 Years | October, 2039 | N.A. | 467,965 | Risk-Share |
| Northstar Apts. | Davis, Yolo | 4,359,629 | 1,010,000 | N.A. | 36 | 861,539 | 6.75% | N/A | 30 Years | September, 2029 | N.A. | 93,864 | Risk-Share |
| Ridgeview Commons | Pleasanton, Alameda | 17,040,442 | 9,360,000 | N.A. | 200 | 7,075,464 | 5.50% | N/A | 30 Years | October, 2029 | N.A. | 406,583 | None |
| San Antonio Terrace | Oakland, Alameda | 2,584,049 | 1,236,400 | N.A. | 23 | 882,136 | (6) | N/A | 30 Years | January, 2023 | N.A. | 2,986 | None |
| Stone Pine Meadow | Tracy, San Joaquin | 9,112,831 | 2,335,000 | N.A. | 72 | 2,188,496 | (3.00%-5.00%) | N/A | 40 Years | June, 2040 | N.A. | 77,260 | Risk-Share |
| Storke Ranch | Isla Vista, Santa Barbara | 3,126,221 | 1,462,000 | N.A. | 36 | 1,331,320 | 6.75% | N/A | 35 Years | July, 2035 | N.A. | 70,024 | Risk-Share |
| Swan's Market | Oakland, Alameda | 3,396,589 | 1,015,000 | N.A. | 18 | 727,544 | 6.75% | N/A | 40 Years | October, 2040 | N.A. | 130,756 | Risk-Share |
| Villa Maria Apts. | San Diego, San Diego | 5,018,917 | 2,265,000 | N.A. | 37 | 2,050,037 | 3.00% | N/A | 40 Years | February, 2035 | N.A. | 123,076 | None |
| | | | 415,000 | | | 0 | 6.75% | N/A | 35 Years | | | | |

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

COMPLETED DEVELOPMENTS**APPENDIX A**

| Name of Development | Location (City and County) | Total Development Cost | Original Tax- Exempt Loan Amount | Original Loan Amount Not Tax- Exempt | Number of Units | Outstanding Tax- Exempt Loan Balance as of September 30, 2009 | Existing Tax- Exempt Loan Interest Rate | Subsidizing Tax- Exempt Loan Interest Rate | Existing Tax- Exempt Loan Term | Permanent Loan Maturity Date | HAP Contract Expiration Date | Replacement Reserve Balance September 30, 2009 | FHA Insurance |
|--|---------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Sierra Meadows | Fresno, Fresno | 9,751,540 | 8,200,000 | N.A. | 220 | 7,317,529 | 7.50% | N.A. | 35 Years | April, 2031 | N.A. | 146,918 | None |
| | Subtotals | \$ 84,251,981 | \$ 44,343,000 | \$ 586,600 | 861 | \$ 33,773,441 | | | | | | \$ 712,857 | |
| Developments Financed by the 2000 Series A Bonds: | | | | | | | | | | | | | |
| Breezewood Village (10) | La Mirada, Los Angeles | (10) | \$ 1,100,000 | N.A. | (10) | \$ 1,025,021 | (10) 6.05% | N.A. | 35 Years | January, 2038 | N.A. | (10) | None |
| El Rancho Verde I & II | San Jose, Santa Clara | 115,413,256 | 64,250,000 | \$ 6,900,000 | 700 | 57,877,564 | 6.375% | N.A. | 32 Years | August, 2032 | January, 2012 | \$ 844,300 | None |
| | | | 2,495,028 | | | 703,135 | 6.20% | N.A. | 12 Years | | | | |
| Lassen Apts. | San Francisco, San Francisco | 6,920,785 | 4,378,000 | N.A. | 81 | 3,878,847 | 6.20% | N.A. | 30 Years | January, 2032 | N.A. | 244,456 | None |
| Park Place Apts. (5) | Van Nuys, Los Angeles | (5) | 450,000 | N.A. | (5) | 28,973 | (5) 6.20% | N.A. | 8 Years | (5) | N.A. | (5) | None |
| Playa Del Alameda | Alameda, Alameda | 5,188,644 | 3,080,000 | 95,000 | 40 | 2,864,932 | 6.20% | N.A. | 30 Years | November, 2030 | N.A. | 69,820 | None |
| Plum Tree West | Gilroy, Santa Clara | 5,504,543 | 5,650,000 | N.A. | 70 | 4,888,595 | 6.20% | N.A. | 30 Years | November, 2030 | N.A. | 147,189 | None |
| Santa Ana Towers (12) | Santa Ana, Orange | 14,964,050 | 9,600,000 | N.A. | 200 | 8,956,007 | (12) 6.35% | N.A. | 35 Years | December, 2036 | N.A. | 281,658 | None |
| | Subtotals | \$ 147,991,278 | \$ 91,003,028 | \$ 6,995,000 | 1091 | \$ 79,923,074 | | | | | | \$ 1,587,424 | |
| Developments Financed by the 2000 Series B Bonds: | | | | | | | | | | | | | |
| Arlington Farms | Davis, Yolo | \$ 9,858,818 | \$ 7,800,000 | N.A. | 138 | \$ 4,611,637 | 9.25% (6.50%-9.25%) | N.A. | 30 Years | December, 2018 | N.A. | \$ 160,437 | None |
| Olive Court | Davis, Yolo | 1,366,279 | 960,000 | N.A. | 24 | 577,003 | 6.00% | N.A. | 40 Years | January, 2028 | N.A. | 90,814 | None |
| Village Oduduwa | Marin City, Marin | 1,688,383 | 1,108,000 | N.A. | 25 | 659,341 | 7.50% | N.A. | 30 Years | November, 2018 | N.A. | 124,195 | None |
| West Avenue (13) | Santa Rosa, Sonoma | 2,051,112 | 1,025,500 | N.A. | 40 | 786,932 | (13) 6.50% | N.A. | 30 Years | July, 2030 | N.A. | 108,342 | None |
| | Subtotals | \$ 14,964,592 | \$ 10,893,500 | \$ 0 | 227 | \$ 6,634,914 | | | | | | \$ 483,787 | |
| Developments Financed by the 2000 Series C Bonds: | | | | | | | | | | | | | |
| Coronado Terrace (14) | San Diego, San Diego | \$ 29,357,416 | \$ 394,896 | \$ 1,540,000 | 312 | \$ 357,534 | (14) 6.20% | N.A. | 31 Years | January, 2033 | December, 2007 | \$ 205,262 | None |
| Homestead Park (15) | Sunnyvale, Santa Clara | 23,289,740 | 9,710,000 | N.A. | 222 | 8,534,039 | (15) 6.50% | N.A. | 30 Years | April, 2031 | March, 2015 | 499,483 | None |
| | | | 1,815,883 | | | 922,978 | 6.20% | N.A. | 5 Years | | | | |
| Runnymede Gardens (16) | E. Palo Alto, San Mateo | 6,931,720 | 3,910,000 | N.A. | 78 | 3,420,626 | (16) 6.45% | N.A. | 30 Years | February, 2031 | February, 2022 | 47,768 | None |
| Saratoga Senior Apts. | Vacaville, Solano | 10,846,907 | 5,730,000 | N.A. | 120 | 5,127,403 | 6.20% | N.A. | 30 Years | June, 2032 | N.A. | 194,726 | None |
| Summercrest Apts. (17) | National City, San Diego | 24,507,374 | 13,900,000 | 1,390,000 | 372 | 12,573,700 | (17) 6.30% | N.A. | 31 Years | December, 2032 | June, 2007 | 324,044 | None |
| (formerly Plaza Manor) | | | 2,099,770 | | | 519,472 | 5.75% | N.A. | 10 Years | | | | |
| Thomas Paine Apts. (17) | San Francisco, San Francisco | 9,201,289 | 5,951,000 | 166,600 | 98 | 5,279,158 | (17) 6.26% | N.A. | 30 Years | December, 2031 | May, 2021 | 366,592 | None |
| Vista Las Flores (18) | Carlsbad, San Diego | 5,464,593 | 1,020,000 | N.A. | 28 | 942,953 | (18) 6.05% | N.A. | 35 Years | June, 2037 | N.A. | 63,528 | None |

[illegible]

APPENDIX A

Developments Financed by the 2001 Series D Bonds:

DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
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COMPLETED DEVELOPMENTS

APPENDIX A

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|--|--------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|----------------------------------|------------------------------------|--|------------------|
| Northgate Apts. | Victorville, San Bernardino | 7,391,802 | 6,650,000 | N.A. | 140 | 5,198,127 | 6.00% | N.A. | 30 Years | October, 2034 | N.A. | 197,482 | None |
| Oak Manor Townhouses (28) | Palo Alto, Santa Clara | 4,700,000 | 2,220,000 | N.A. | 33 | 1,626,098 (28) | 6.50% | N.A. | 30 Years | October, 2023 | N.A. | 112,783 | None |
| Pickleweed Apts. | Mill Valley, Marin | 2,435,477 | 1,805,000 | N.A. | 32 | 1,568,269 | 5.70% | N.A. | 30 Years | July, 2031 | N.A. | 54,233 | None |
| Sycamore Square (9) | Hayward, Alameda | (9) | 623,136 290,000 | N.A. | (9) | 545,237 (9) 80,304 | 5.70% 5.70% | N.A. N.A. | 30 Years 10 Years | December, 2031 December, 2011 | September, 2013 | (9) | Yes |
| Subtotals | | \$ 26,351,279 \$ | 18,511,636 | \$0 | 381 | \$ 14,421,388 | | | | | | \$ 690,930 | |
| Developments Financed by the 2001 Series G Bonds: | | | | | | | | | | | | | |
| Child's Avenue Apts. | Merced, Merced | \$ 2,203,280 \$ | 1,575,000 | N.A. | 27 | \$ 1,415,924 | 6.50% | N.A. | 40 Years | August, 2043 | N.A. | \$ 36,526 | None |
| Murphy Ranch Apts. | Morgan Hill, Santa Clara | 15,285,789 | 4,355,000 | N.A. | 62 | 4,006,409 | 5.70% | N.A. | 30 Years | April, 2034 | N.A. | 78,941 | None |
| Oak Circle (formerly Roberts Avenue) | San Jose, Santa Clara | 8,256,465 | 3,640,000 3,628,535 | N.A. | 100 | 3,304,550 0 | 5.25% 5.25% | N.A. N.A. | 30 Years 3 Years | December, 2033 | N.A. | 163,922 | None |
| Oak Haven Seniors Apts. | Oakdale, Stanislaus | 5,900,389 | 2,140,000 | N.A. | 80 | 1,831,522 | 6.50% | N.A. | 30 Years | March, 2033 | N.A. | 153,109 | None |
| Oak Manor Townhouses (28) | Palo Alto, Santa Clara | (28) | 180,000 | N.A. | (28) | 130,370 (28) | 6.50% | N.A. | 30 Years | October, 2023 | N.A. | (28) | None |
| Old Grove Apts. | Oceanside, San Diego | 9,992,402 | 980,000 | N.A. | 56 | 898,663 | 5.25% | N.A. | 30 Years | June, 2034 | N.A. | 109,444 | None |
| Papillon Apts. | Fresno, Fresno | 7,569,218 | 6,200,000 | N.A. | 132 | 5,149,644 | 6.50% | N.A. | 30 Years | April, 2033 | N.A. | 99,619 | Risk-Share |
| Parwood Apts. (23) | Long Beach, Los Angeles | (23) | 29,000,000 \$ | 1,500,000 | (23) | 26,595,350 (23) | 5.70% | N.A. | 32 Years | February, 2034 | August, 2007 | (23) | None |
| Redwood Oaks Apts. | Redwood City, San Mateo | 5,031,870 | 1,800,000 670,000 | N.A. | 36 | 1,602,743 | 5.25% | N.A. N.A. | 30 Years 1 Year | January, 2033 | N.A. | 55,492 | None |
| Ridgeview | Coalinga, Fresno | 2,259,193 | 1,265,000 | N.A. | 42 | 1,053,201 | 6.50% | N.A. | 30 Years | May, 2033 | N.A. | 18,424 | None |
| Rohit Villas (25)(29) | Los Angeles, Los Angeles | (25) | 106,100 | N.A. | (25) | 81,920 (25) | 8.50% | (29) | 30 Years | May, 2024 | N.A. | (25) | None |
| Sequoia Knolls | Fresno, Fresno | 4,415,067 | 3,760,000 | N.A. | 100 | 3,571,718 | 6.50% | N.A. | 30 Years | June, 2033 | N.A. | 118,920 | None |
| Shasta Villa Apts. (29) | Farmersville, Tulare | 1,422,829 | 640,000 | N.A. | 20 | 499,041 | 7.15% | (29) | 30 Years | January, 2026 | N.A. | 33,882 | None |
| Singing Wood (26) | El Monte, Los Angeles | (26) | 1,961,465 | N.A. | (26) | 1,798,671 (26) | 5.25% | N.A. | 30 Years | June, 2034 | N.A. | (26) | None |
| South Gate Senior Villas | Southgate, Los Angeles | 9,283,162 | 2,300,000 | N.A. | 75 | 2,187,010 | 6.20% | N.A. | 40 Years | October, 2042 | N.A. | 122,504 | None |
| Subtotals | | \$ 71,619,664 \$ | 64,201,100 \$ | 1,500,000 | 730 | \$ 54,126,735 | | | | | | \$ 990,783 | |
| Developments Financed by the 2001 Series H Bonds: (20) | | | | | | | | | | | | | |
| Homestead Park (15) | Sunnyvale, Santa Clara | (15) | N.A | \$ 4,371,000 | (15) | \$ 3,841,636 (15) | 6.50% | N.A. | 30 Years | April, 2031 | March, 2015 | (15) | None |

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COMPLETED DEVELOPMENTS

APPENDIX A

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|---|-----------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Marina Towers Annex (24) | Vallejo, Solano | (24) | N.A | 174,145 | (24) | 169,751 | 7.00% | N.A | 16 Years | February, 2017 | N.A. | (24) | None |
| MORH I Apts. | Oakland, Alameda | \$ 16,917,847 | N.A | 4,725,000 | 124 | 4,306,517 | 7.50% | N.A | 30 Years | March, 2032 | December, 2010 | \$ 287,587 | None |
| Oak Center I Apts. | Oakland, Alameda | 8,014,044 | N.A | 2,424,000 | 77 | 2,181,781 | 7.50% | N.A | 30 Years | July, 2031 | September, 2010 | 244,614 | Yes |
| Parwood Apts. (23) | Long Beach, Los Angeles | (23) | N.A | 1,500,000 | (23) | 1,387,445 | 5.70% | N.A | 32 Years | April, 2034 | August, 2007 | (23) | None |
| Runnymede Gardens (16) | San Mateo | (16) | N.A | 1,380,000 | (16) | 1,207,279 | 6.45% | N.A | 30 Years | February, 2031 | February, 2022 | (16) | None |
| Santa Ana Towers (12) | San Mateo Santa Ana, Orange | (12) | N.A | 900,000 | (12) | 830,251 | 6.35% | N.A | 35 Years | December, 2036 | N.A. | (12) | None |
| Subtotals | | \$ 24,931,891 | \$0 | \$ 17,339,391 | 0 | \$ 14,401,438 | | | | | | \$ 532,201 | |
| Developments Financed by the 2002 Series A Bonds: | | | | | | | | | | | | | |
| Altadena Vistas | Altadena, Los Angeles | \$ 1,501,687 | \$ 750,000 | N.A. | 22 | \$ 402,438 | 4.00% | N.A | 40 Years | October, 2039 | N.A. | \$ 95,016 | None |
| Altamont Apartments | Rohnert Park, Sonoma | 11,503,070 | 10,000,000 | N.A. | 230 | 6,877,681 | 6.50% | N.A | 30 Years | July, 2022 | N.A. | 180,165 | None |
| Carillo Place | Santa Rosa, Sonoma | 11,621,514 | 2,475,000 | N.A. | 68 | 2,269,585 | 5.25% | N.A | 30 Years | June, 2034 | N.A. | 128,263 | None |
| Far East Building | Los Angeles, Los Angeles | 3,343,080 | 3,200,000 | N.A. | 16 | 84,651 | 5.25% | N.A | 1 Year | August, 2014 | N.A. | 30,985 | None |
| Madera Villa | Los Angeles, Madera, Madera | 6,675,778 | 5,500,000 | N.A. | 136 | 4,625,395 | 3.00% | 5.70% | 10 Years | March, 2033 | N.A. | 73,335 | None |
| Parkwood Apartments (30) | Yorba Linda, Orange | 11,843,866 | 1,420,361 | N.A. | 100 | 1,340,542 | 6.50% | N.A | 30 Years | September, 2035 | N.A. | 128,907 | None |
| Singing Wood (26) | El Monte, Los Angeles | (26) | 2,479,639 | N.A. | (26) | 2,273,838 | 5.25% | N.A | 30 Years | June, 2034 | N.A. | (26) | None |
| Villa Anaheim | Anaheim, Orange | 9,063,763 | 1,350,000 | N.A. | 135 | 0 | 5.25% | N.A | 2 Years | August, 2029 | N.A. | 234,235 | None |
| Villa Ramona (formerly Baldwin Park Family) | Baldwin Park, Los Angeles | 13,092,505 | 4,400,000 | N.A. | 71 | 3,567,101 | 6.50% | N.A | 35 Years | December, 2044 | N.A. | 124,450 | None |
| The Village at Beechwood | Lancaster, Los Angeles | 8,068,697 | 890,000 | N.A. | 100 | 735,031 | 5.25% | N.A | 20 Years | May, 2024 | N.A. | 140,241 | None |
| Wintner Creek Village | Windsor, Sonoma | 7,483,061 | 469,000 | N.A. | 41 | 81,124 | 5.25% | N.A | 6 Years | September, 2010 | N.A. | None | None |
| | | | 1,620,000 | N.A. | | 1,480,643 | 5.25% | N.A | 30 Years | April, 2034 | N.A. | 100,070 | None |
| | | | 2,400,000 | N.A. | | 0 | 5.25% | N.A | 1 Year | | | | |
| Subtotals | | \$ 84,197,021 | \$ 40,774,000 | \$0 | 919 | \$ 27,252,977 | | | | | | \$ 1,235,667 | |
| Developments Financed by the 2002 Series B Bonds: | | | | | | | | | | | | | |
| Hillside Villa (31) | Los Angeles, Los Angeles | \$ 10,940,498 | \$ 4,974,553 | N.A. | 124 | \$ 3,519,727 | 7.0% | N.A | 30 Years | March, 2024 | N.A. | \$157,974 | None |
| Huntington Square | Citrus Height, Sacramento | 13,195,808 | 10,289,487 | N.A. | 225 | 7,487,984 | (5.75%-7.0%) | (6)(31) | 6.50% | March, 2024 | N.A. | 128,535 | None |

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COMPLETED DEVELOPMENTS**APPENDIX A**

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|--|-------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|------------------------------------|------------------------------------|--|------------------|
| Regency Manor (31) | Los Angeles, Los Angeles | 7,619,626 | 5,906,464 | N.A. | 120 | 4,106,876 | 7.00% (4.25%-7.0%) | N.A. | 30 Years | March, 2024 | N.A. | 50,032 | None |
| Somerset Hills (31) | Roseville, Placer | 8,018,326 | 5,419,654 | N.A. | 124 | 3,921,030 | 7.13% (6.63%-7.13%) | N.A. | 30 Years | March, 2024 | N.A. | 41,878 | None |
| Southlake Tower | Oakland, Alameda | 8,613,000 | 6,500,000 \$ 820,000 | 1,010,000 | 130 | 6,000,578 625,345 | 5.50% 6.50% | N.A. | 30 Years 15 Years | August, 2034 August, 2019 | November, 2025 | 495,649 | Risk-Share |
| | Subtotals | \$ 48,387,258 | \$ 33,910,158 | \$ 1,010,000 | 723 | \$ 25,661,539 | | | | | | \$ 874,068 | |
| Developments Financed by the 2002 Series C Bonds: | | | | | | | | | | | | | |
| Artist Colony (32) | Burbank, Los Angeles | \$ 20,675,911 | \$ 14,970,000 | N.A. | 141 | \$ 14,143,031 (32) | 5.28% | N.A. | 40 Years | January, 2046 | N.A. | \$190,978 | None |
| Plaza Del Sol Apts. | Simi Valley, Ventura | 12,649,923 | 8,165,000 | N.A. | 70 | 7,924,822 | 5.29% | N.A. | 40 Years | January, 2046 | N.A. | 106,136 | None |
| Victoria Green | Hercules, Contra Costa | 27,427,379 | 9,455,000 4,985,000 | N.A. | 132 | 8,726,765 - | 5.25% 5.25% | N.A. | 30 Years 3 Years | October, 2034 | N.A. | 227,605 | None |
| | Subtotals | \$ 60,753,213 | \$ 37,575,000 | \$0 | 343 | \$ 30,794,619 | | | | | | \$ 524,719 | |
| Developments Financed by the 2002 Series D Bonds: | | | | | | | | | | | | | |
| Country Hills (27) | San Jose, Santa Clara | (27) | \$ 4,120,375 | N.A. | (27) | \$ 3,724,198 (27) | 6.00% | N.A. | 30 Years | February, 2033 | N.A. | (27) | None |
| Countrywood Apts. | Linda, Yuba | \$ 2,276,610 | 580,000 \$ 170,000 | 50,000 | 65 | 503,469 110,624 | 5.00% 5.00% | N.A. | 20 Years 10 Years | September, 2023 September, 2013 | April, 2021 | \$ - | Risk-Share |
| Gateway Apts. | Menlo Park, San Mateo | 9,129,215 | 7,900,000 | N.A. | 130 | 7,326,986 | 5.50% | N.A. | 30 Years | November, 2034 | November, 2021 | 190,291 | Risk-Share |
| | Subtotals | \$ 11,405,825 | \$ 12,770,375 | \$50,000 | 195 | \$ 11,685,277 | | | | | | \$ 190,291 | |
| Developments Financed by the 2002 Series E Bonds: | | | | | | | | | | | | | |
| Artist Colony (32) | Burbank, Los Angeles | (32) | \$ 1,045,000 | N.A. | (32) | \$ 987,272 (32) | 5.28% | N.A. | 40 Years | January, 2046 | N.A. | (32) | None |
| Casa Del Rio (33) | Antioch, Contra Costa | \$ 7,384,217 | 600,000 | N.A. | 82 | 461,459 | 7.80% | (33) | 30 Years | December, 2024 | N.A. | \$ 177,059 | None |
| Cedar Park | Grass Valley, Nevada | 10,864,648 | 5,600,000 200,000 | N.A. | 81 | 5,416,540 0 | 5.95% 5.95% | N.A. | 40 Years 1 Year | January, 2045 | N.A. | 103,057 | None |
| Dove Canyon Apartments | San Diego, San Diego | 15,477,331 | 7,420,000 925,000 | N.A. | 120 | 7,073,852 0 | 5.85% 5.85% | N.A. | 35 Years 1 Year | January, 2040 | N.A. | 217,856 | None |
| Fremont Oaks Gardens | Fremont, Alameda | 11,206,109 | 2,700,000 | N.A. | 51 | 2,484,783 | 3.00% | 5.75% | 30 Years | January, 2036 | N.A. | 88,266 | None |
| Gateway Santa Clara | Santa Clara, Santa Clara | 10,000,598 | 1,815,000 | N.A. | 42 | 1,715,376 | 5.75% | N.A. | 30 Years | November, 2035 | N.A. | 48,058 | None |
| The Grove Apts. | Bakersfield, Kern | 8,613,478 | 7,500,000 | N.A. | 140 | 6,195,636 | 6.50% | N.A. | 30 Years | March, 2033 | N.A. | 192,854 | None |
| Laguna Canyon | Irvine, Orange | 15,981,126 | 8,460,000 480,000 | N.A. | 120 | 8,228,383 - | 5.75% 4.00% | N.A. | 35 Years 1 Year | November, 2041 | N.A. | 141,065 | None |

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COMPLETED DEVELOPMENTS

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|--|-----------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Parkwood Apartments (30) | Yorba Linda, Orange | (30) | 4,994,639 | N.A. | (30) | 4,713,960 (30) | 5.75% | N.A | 30 Years | September, 2035 | N.A. | (30) | None |
| Sierra Vista Apts. (34) | Sierra Madre, Los Angeles | 5,294,999 | 17,461 | N.A. | 46 | 17,226 (34) | 5.35% | N.A | 35 Years | May, 2043 | N.A. | 18,562 | None |
| Victoria Woods Senior (33) | San Bernardino, San Bernardino | 8,928,688 | 7,575,000 | N.A. | 178 | 5,762,165 (33) | 7.90% | N.A | 30 Years | July, 2024 | N.A | 152,989 | None |
| White Rock Village (35) | El Dorado Hills, El Dorado | 27,204,570 | 10,000,000 3,375,000 | N.A. | 180 | 9,692,906 (35) 0 | 5.60% 5.60% | N.A N.A | 40 Years 1 Year | August, 2045 | N.A. | 183,172 | None |
| Willowbrook II (33) | Merced, Merced | 4,524,496 | 3,840,000 | N.A. | 96 | 2,830,894 (33) | 6.27% | N.A | 30 Years | April, 2024 | N.A | 150,887 | None |
| Subtotals | | \$ 125,480,260 | \$ 66,547,100 | \$0 | 1136 | \$ 55,580,451 | | | | | | \$ 1,473,825 | |
| Developments Financed by the 2003 Series C Bonds: | | | | | | | | | | | | | |
| The Breakers at Bayport | Alameda, | \$ 12,311,045 | \$ 2,100,000 | N.A. | 77 | \$ 2,009,110 | 5.25% | N.A | 30 Years | October, 2036 | N.A. | \$ 55,145 | None |
| Conant Place Seniors | Alameda Modesto, Stanislaus | 4,366,919 | 1,039,000 | N.A. | 81 | 770,334 | 6.80% | N.A | 30 Years | January, 2025 | N.A. | 439,868 | None |
| Copper Creek | San Marcos, San Diego | 32,845,858 | 4,360,000 7,630,000 | N.A. | 156 | 4,133,745 - | 5.50% 4.00% | N.A N.A | 30 Years 3 Years | February, 2036 | N.A. | 176,792 | Risk-Share |
| Coyote Run | Palm Springs, Riverside | 11,920,315 | 2,000,000 | N.A. | 66 | 1,926,956 | 5.25% | N.A | 30 Years | March, 2037 | N.A. | 65,309 | None |
| Lorenzo Creek | Castro Valley, Alameda | 10,574,328 | 640,000 1,430,000 | N.A. | 28 | 567,500 992,535 | 1.00% 1.00% | 5.25% 5.25% | 25 Years 10 Years | July, 2031 July, 2016 | June, 2016 | 32,408 | None |
| Manhattan Village | Manhattan Beach, Los Angeles | 8,150,570 | 6,400,000 | N.A. | 104 | 5,185,861 | 6.85% | N.A | 30 Years | August, 2027 | N.A. | 283,260 | None |
| Moulton Plaza (36) | Sunnyvale, Santa Clara | 16,965,841 | 5,985,000 2,890,000 | N.A. | 66 | 5,808,544 (36) - | 5.25% 4.00% | N.A N.A | 35 Years 1 Year | December, 2041 | N.A. | 70,911 | None |
| Ocean View Gardens | Berkeley, Alameda | 5,879,695 | 3,160,000 | N.A. | 62 | 2,900,073 | 5.75% | N.A | 30 Years | March, 2034 | October, 2013 | 105,757 | None |
| Palos Verdes Villas | Palm Springs, Riverside | 7,867,733 | 5,172,018 | N.A. | 98 | 4,493,349 | 6.85% 4.5% - 8.5% | N.A (6) | 40 Years | July, 2035 | N.A. | 55,371 | None |
| Regency Court | Monrovia, Los Angeles | 9,003,230 | 4,540,000 | N.A. | 115 | 3,484,138 | 6.85% | N.A | 30 Years | November, 2025 | N.A | 196,662 | None |
| Timothy Commons | Santa Rosa, Sonoma | 6,760,111 | 640,000 | N.A. | 32 | 610,586 | 5.25% | N.A | 30 Years | August, 2036 | N.A. | 84,461 | None |
| Villa Amador | Brentwood, Contra Costa | 23,234,691 | 4,425,000 | N.A. | 96 | 4,400,768 | 5.35% | N.A | 40 Years | December, 2048 | N.A | 130,264 | Risk-Share |
| Villa Cesar Chavez | Oxnard, Ventura | 13,005,230 | 2,540,000 645,000 | N.A. | 52 | 2,419,838 475,966 | 5.25% 5.25% | N.A N.A | 30 Years 10 Years | July, 2036 July, 2016 | N.A. | 85,953 | None |
| Villa Victoria | Oxnard, Ventura | 12,983,312 | 4,110,000 400,000 | N.A. | 54 | 4,032,745 357,971 | 5.30% 5.25% | N.A N.A | 30 Years 10 Years | May, 2038 May, 2018 | N.A. | 36,314 | None |
| Windrow Apartments (37) | Irvine, | 16,121,772 | 5,777,539 | N.A. | 96 | 5,645,411 (37) | 5.25% | N.A | 35 Years | July, 2042 | N.A. | 74,420 | None |

DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS

COMPLETED DEVELOPMENTS

APPENDIX A

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|---|-------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Developments Financed by the 2004 Series A Bonds: | Orange | | 1,270,000 | | 1183 | \$ 50,215,431 | 4.00% | N/A | 1 Year | July, 2008 | | \$ 1,892,896 | |
| | Subtotals | | | | | | | | | | | | |
| | Crescent Terrace | \$ 3,496,445 | \$ 1,469,224 | N.A. | 48 | \$1,227,770 | 6.00% | N/A | 40 Years | June, 2025 | N.A. | \$335,565 | None |
| | Dalton Arms (38) | 321,512 | 98,300 | N.A. | 5 | 73,984 | 8.00% | (38) | 35 Years | January, 2021 | N.A. | 16,659 | None |
| | Delaware Street | 2,646,000 | 1,380,000 | N.A. | 16 | 1,255,668 | 5.50% | N/A | 30 Years | November, 2033 | N.A. | 54,367 | None |
| | Heritage Park (38) | 3,833,568 | 1,805,090 | N.A. | 94 | 1,424,196 | 8.00% | (38) | 42 Years | December, 2028 | N.A. | 98,228 | None |
| | Hidaway Apartments (38) | 4,569,018 | 3,749,213 | N.A. | 67 | 2,791,246 | 7.75% | (6)(38) | 37 Years | July, 2024 | N.A. | 113,248 | None |
| | Huntcliff | 4,323,109 | 3,405,300 | N.A. | 78 | 2,900,551 | 6.00% | N/A | 37 Years | July, 2024 | N.A. | 38,749 | None |
| | Quail Terrace (38) | 6,912,788 | 4,405,000 | N.A. | 136 | 3,362,685 | 8.30% | (38) | 40 Years | February, 2025 | N.A. | 44,273 | None |
| | Winters Apartments | 3,303,353 | 1,365,000 | N.A. | 44 | 1,226,559 | 5.40% | N/A | 30 Years | January, 2032 | N.A. | 92,383 | None |
| Woodglen Vista | Santee, San Diego | 11,694,760 | 9,150,000 | N.A. | 188 | 8,402,461 | 5.90% | N/A | 30 Years | February, 2034 | | 415,304 | Risk-Share |
| Subtotals | | | | | | | | | | | | | |
| Developments Financed by the 2004 Series B Bonds: | | | | | | | | | | | | | |
| Bayview Landing Senior | Newport Beach, Orange | \$ 14,891,858 | \$ 8,720,000 | N.A. | 120 | \$ 8,374,839 | 5.40% | N/A | 30 Years | December, 2036 | N.A. | \$ 60,160 | None |
| Citrus Grove | Fontana, San Bernardino | 7,480,591 | 890,000 | N.A. | 50 | 848,505 | 5.50% | N/A | 30 Years | July, 2036 | December, 2014 | 85,425 | None |
| | | | 1,500,000 | | | 917,655 | 5.50% | N/A | 9.5 Years | December, 2014 | | | |
| | | | 1,400,000 | | | 0 | 4.00% | N/A | 2 Years | | | | |
| Las Brisas | Cudahy, Los Angeles | 3,531,432 | 2,725,000 | \$ 559,200 | 100 | 2,496,118 | 5.40% | N/A | 30 Years | April, 2034 | N.A. | 181,661 | None |
| Linden Manor (22) | Riverside, Riverside | (22) | 3,985,000 | 260,000 | (22) | 3,650,286 (22) | 5.40% | N/A | 30 Years | April, 2034 | N.A. | 506,577 | None |
| | | | 940,000 | | | 341,327 | 5.40% | N/A | 7 Years | June, 2012 | | | |
| Lion Creek Crossings I | Oakland, Alameda | 33,791,552 | 3,420,000 | N.A. | 115 | 3,333,747 | 5.50% | N/A | 35 Years | March, 2042 | N.A. | 97,789 | None |
| Murphy Ranch II | Morgan Hill, Santa Clara | 11,944,609 | 4,400,000 | N.A. | 38 | 4,148,057 | 5.50% | N/A | 30 Years | October, 2035 | N.A. | 23,421 | None |
| Oak Village (22) | Oakland, Alameda | (22) | 5,727,000 | 1,140,000 | (22) | 5,459,983 (22) | 5.50% | N/A | 32 Years | June, 2036 | N.A. | (22) | None |
| | | | 460,200 | | | 178,888 | 5.50% | N/A | 8.5 Years | July, 2012 | | | |
| Parkwood Apartments (30) | Yorba Linda, Orange | (30) | 185,000 | N.A. | (30) | 174,604 (30) | 5.75% | N/A | 30 Years | September, 2035 | N.A. | (30) | None |

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

COMPLETED DEVELOPMENTS**APPENDIX A**

| Name of Development | Location (City and County) | Total Development Cost | Original Tax- Exempt Loan Amount | Original Loan Amount Not Tax- Exempt | Number of Units | Outstanding Tax- Exempt Loan Balance as of September 30, 2009 | Existing Tax- Exempt Loan Interest Rate | Subsidizing Tax- Exempt Loan Interest Rate | Existing Tax- Exempt Loan Term | Permanent Loan Maturity Date | HAP Contract Expiration Date | Replacement Reserve Balance September 30, 2009 | FHA Insurance |
|--|---------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---|------------------------------------|--|------------------|
| Springs Village | Aqua Caliente, Sonoma | 19,322,319 | 1,985,000 | N.A. | 80 | 1,900,171 | 5.50% | N.A. | 30 Years | September, 2036 | N.A. | 107,080 | None |
| St. Vincent's Housing | Santa Barbara, Santa Barbara | 30,917,900 | 3,460,000 2,390,000 7,450,000 | N.A. | 75 | 3,429,222 2,250,561 7,450,000 | 5.50% 5.50% 4.00% | N.A. | 30 Years 10 Years 5 Years | January, 2039 January, 2018 January, 2013 | N.A. N.A. N.A. | 20,044 | None |
| Via Del Mar | Watsonville, Santa Cruz | 11,778,172 | 860,000 | N.A. | 40 | 801,342 | 5.50% | N.A. | 25 Years | May, 2031 | N.A. | 146,988 | None |
| Vista Point at Pacific Grove | Pacific Grove, Monterey | 9,848,050 | 1,670,000 | N.A. | 49 | 1,602,913 | 5.50% | N.A. | 30 Years | November, 2036 | N.A. | 47,400 | None |
| Willowbrook Green | Willowbrook, Los Angeles | 3,624,261 | 2,579,768 | N.A. | 48 | 2,007,086 | 5.00% | N.A. | 42 Years | July, 2034 | N.A. | 134,561 | None |
| Subtotals | | \$ 147,130,744 | \$ 54,746,968 | \$ 1,959,200 | 715 | \$ 49,365,302 | | | | | | \$ 1,411,107 | |
| Developments Financed by the 2004 Series C Bonds: | | | | | | | | | | | | | |
| Cambridge | Davis, Yolo | \$ 5,625,994 | \$ 4,531,304 | N.A. | 125 | \$ 3,385,731 | 6.00% | N.A. | 30 Years | October, 2034 | N.A. | \$ 53,905 | None |
| Laurel Court | Los Angeles, Los Angeles | 963,563 | 542,049 | N.A. | 15 | 427,096 | 4.50% | N.A. | 40 Years | October, 2034 | N.A. | 87,939 | None |
| Napa Creek Manor | Napa, Napa | 3,814,622 | 4,220,000 | N.A. | 84 | 4,110,491 | 5.35% | N.A. | 30 Years | July, 2037 | N.A. | 242,590 | None |
| Sheffield Greens | Napa Fairfield, Solano | 6,529,361 | 5,186,092 | N.A. | 132 | 3,874,981 | 6.00% | N.A. | 30 Years | October, 2034 | N.A. | 45,601 | None |
| Subtotals | | \$ 16,933,540 | \$ 14,479,445 | \$ 0 | 356 | \$ 11,798,299 | | | | | | \$ 430,035 | |
| Developments Financed by the 2004 Series D Bonds: | | | | | | | | | | | | | |
| Camino de las Flores | Los Angeles, Los Angeles | \$ 9,308,156 | 155,000 450,000 1,595,000 | N.A. | 25 | 141,013 310,841 1,270,000 | 3.00% 3.00% 3.00% | 5.70% 5.70% 5.70% | 15 Years 5 Years 3 Years | January, 2023 January, 2013 January, 2011 | N.A. N.A. N.A. | \$ 16,890 | None |
| Casitas Del Valle | Moreno, Riverside | \$ 8,282,602 | \$ 930,000 | N.A. | 40 | 873,648 | 5.50% | N.A. | 20 Years | August, 2027 | N.A. | 29,763 | None |
| Central Plaza | Santa Maria, Santa Barbara | 12,508,740 | 5,605,000 940,000 N.A. | N.A. | 112 | 5,387,766 630,398 N.A. | 5.70% 5.70% N.A. | N.A. | 30 Years 10 Years | November, 2036 September, 2016 | N.A. | 300,761 | None |
| College View | Linda, Yuba | 5,565,906 | 500,000 2,730,000 450,000 | \$ 850,000 | 88 | 474,278 2,220,763 - | 5.70% 5.70% 5.70% | N.A. | 30 Years 17 Years 1 Year | February, 2036 February, 2022 | October, 2021 N.A. N.A. | 385,907 | None |
| Corde Terra Family | San Jose, Santa Clara | 45,455,711 | 24,235,000 | N.A. | 300 | 23,973,278 | 5.70% | N.A. | 40 Years | February, 2048 | N.A. | 168,235 | Risk-Share |
| The Crossings | San Diego, San Diego | 18,958,404 | 4,830,000 | N.A. | 108 | 4,648,585 | 5.70% | N.A. | 30 Years | December, 2036 | N.A. | 150,063 | None |
| Douglas Park | Compton, Los Angeles | 5,565,906 | 3,450,000 | N.A. | 115 | 3,209,539 | 5.50% | N.A. | 30 Years | January, 2035 | November, 2007 | 190,229 | None |
| Dublin Transit Center | Dublin, Alameda | 34,144,574 | 5,860,000 | N.A. | 112 | 5,710,266 | 5.70% | N.A. | 30 Years | October, 2037 | N.A. | 76,453 | None |
| Encore Hall | Los Angeles, Los Angeles | 18,738,000 | 2,560,000 | N.A. | 104 | 2,472,397 | 3.00% | 5.70% | 25 Years | June, 2033 | N.A. | 65,529 | None |

COMPLETED DEVELOPMENTS

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|---|-------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Manhattan Place | Los Angeles, | 3,873,071 | 2,658,734 | N.A. | 60 | 2,180,354 | 5.00% | N.A. | 40 Years | October, 2034 | N.A. | 242,350 | None |
| Sierra Vista Apts. (34) | Los Angeles Sierra Madre, | (34) | 825,000 | N.A. | (34) | 813,889 (34) | 5.35% | N.A. | 35 Years | May, 2043 | N.A. | (34) | None |
| | Los Angeles | | 585,000 | | | - | 4.00% | N.A. | 1 Year | May, 2009 | | | |
| Sobrato Apts. | Gilroy, | 16,901,971 | 1,070,000 | N.A. | 60 | 754,002 | 2.00% | N.A. | 10 Years | July, 2016 | N.A. | 64,185 | None |
| | Santa Clara | | 4,500,000 | | | - | 2.00% | N.A. | | July, 2009 | | | |
| White Rock Village (35) | El Dorado, | (35) | 1,500,000 | N.A. | (35) | 986,391 (35) | 5.60% | N.A. | 10 Years | August, 2015 | N.A. | (35) | None |
| | El Dorado, | | 295,000 | N.A. | | 0 | 5.60% | N.A. | 1 Year | November, 2006 | N.A. | | |
| | Subtotals | \$ 179,303,041 | \$ 65,723,734 | \$ 850,000 | 1124 | \$ 56,037,408 | | | | | | \$ 1,690,365 | |
| Developments Financed by the 2005 Series A Bonds | | | | | | | | | | | | | |
| Emerson Arms | Martinez, | \$ 3,874,303 | \$ 2,480,000 | N.A. | 32 | \$ 2,321,398 | 5.25% | N.A. | 30 Years | October, 2035 | March, 2010 | \$ 234,346 | None |
| | Contra Costa | | | | | | | | | | | | |
| Developments Financed by the 2005 Series B Bonds | | | | | | | | | | | | | |
| Eleanor Roosevelt | Davis, | \$ 10,797,192 | \$ 2,400,000 | N.A. | 60 | \$ 835,460 | 4.50% | N.A. | 3 Years | October, 2010 | N.A. | \$ 93,582 | None |
| | Yolo | | 550,000 | N.A. | | 536,512 | 5.90% | N.A. | 30 Years | October, 2037 | | | |
| Flower Park Plaza | Santa Ana, | 16,621,241 | 10,360,000 | N.A. | 199 | 9,617,999 | 5.80% | N.A. | 20 Years | April, 2027 | June, 2026 | 1,013,318 | Risk-Share |
| | Orange | (21) | | | (21) | | | | | | | | |
| Golden West Towers (21) | Torrance, | | 14,100,000 | N.A. | | 13,622,043 (21) | 5.70% | N.A. | 30 Years | March, 2037 | March, 2025 | 262,637 | Risk-Share |
| | Los Angeles | | | | | | | | | | | | |
| Grizzly Hollow | Galt, | 15,182,446 | 950,000 | N.A. | 54 | 884,023 | 5.70% | N.A. | 20 Years | April, 2027 | N.A. | 46,889 | None |
| | Sacramento | | | | | | | | | | | | |
| Larkfield Road | Santa Rosa, | 14,192,944 | 1,830,000 | N.A. | 56 | 1,774,404 | 5.90% | N.A. | 30 Years | May, 2037 | N.A. | 80,353 | None |
| | Sonoma | | | | | | | | | | | | |
| MLK Village | Sacramento, | 11,143,458 | 3,380,000 | N.A. | 80 | 3,380,000 | 1.00% | 4.50% | 5 Years | October, 2012 | N.A. | - | None |
| | Sacramento | | | | | | | | | | | | |
| Seacliff Highlands | Aptos, | 11,789,952 | 1,385,000 | N.A. | 39 | 1,336,369 | 5.70% | N.A. | 30 Years | February, 2037 | N.A. | 66,418 | None |
| | Santa Cruz | | | | | | | | | | | | |
| The Surf | San Leandro, | 2,815,854 | 2,825,000 | N.A. | 46 | 2,643,021 | 5.60% | N.A. | 30 Years | April, 2035 | N.A. | 138,986 | Risk-Share |
| | Alameda | | | | | | | | | | | | |
| Vista Sunrise Apts. | Palm Springs, | 9,470,528 | 450,000 | N.A. | 85 | 392,569 | 1.00% | 5.90% | 10 Years | May, 2018 | N.A. | 43,586 | None |
| | Riverside | | | | | | | | | | | | |
| | Subtotals | \$ 92,013,615 | \$ 38,230,000 | \$0 | 619 | \$ 35,022,401 | | | | | | \$ 1,745,768 | |
| Developments Financed by the 2005 Series C Bonds | | | | | | | | | | | | | |
| Plaza de las Flores | Sunnyvale, | \$ 16,730,209 | \$ 9,025,000 | N.A. | 101 | \$ 8,639,315 | 5.50% | N.A. | 30 Years | September, 2036 | November, 2023 | \$ 915,879 | Risk-Share |
| | San Mateo | | | | | | | | | | | | |
| Developments Financed by the 2005 Series D/E Bonds | | | | | | | | | | | | | |
| Gish Apartments | San Jose, | \$ 11,054,850 | \$ 2,885,000 | N.A. | 35 | \$ 2,576,122 | 3.00% | 5.40% | 30 Years | October, 2037 | N.A. | \$ 20,628 | Risk-Share |
| | Santa Clara | | | | | | | | | | | | |
| Hemet Estates | Hemet, | 6,497,575 | 3,500,000 | N.A. | 80 | 3,425,454 | 5.30% | N.A. | 30 Years | April, 2038 | February, 2013 | 86,259 | None |

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|--|---------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Fireside Apartments (39) | Mill Valley, Marin | \$ 18,863,670 | \$ 12,185,000 | N.A. | 50 | \$ 12,144,351 | (39) 6.25% | N.A. | 21 Months | (39) | N.A. | (39) | None |
| Developments Financed by the 2007 Series B Bonds | | | | | | | | | | | | | |
| Diamond Aisle Apts. (39) | Anaheim, Orange | \$ 5,639,000 | \$ 5,400,000 | N.A. | 25 | \$ 5,249,280 | (39) 3.11% | N.A. | 18 Months | (39) | N.A. | (39) | None |
| Eureka Family Housing | Eureka, Humboldt | 3,542,848 | 940,000 | N.A. | 50 | 937,856 | 5.30% | N.A. | 30 Years | August, 2039 | October, 2021 | \$ 116,500 | None |
| | | | 1,150,000 | | | 1,043,244 | 5.30% | N.A. | 14 Years | December, 2021 | | | |
| Parkview (39) | Sacramento, Sacramento | 9,056,076 | 4,295,000 | N.A. | 97 | 4,295,000 | (39) 3.37% | N.A. | 24 Months | (39) | October, 2020 | (39) | None |
| | | | 1,885,000 | | | 1,700,390 | 5.20% | N.A. | 14 Years | November, 2021 | | 102,663 | |
| Subtotals | | \$ 18,237,924 | \$ 13,670,000 | \$0 | 172 | \$ 13,225,770 | | | | | | \$ 219,163 | |
| Developments Financed by the 2007 Series C Bonds | | | | | | | | | | | | | |
| Casa de las Hermanitas (39) | Los Angeles, Los Angeles | \$ 4,742,953 | \$ 4,265,000 | N.A. | 88 | \$ 4,265,000 | (39) 2.77% | N.A. | 24 Months | (39) | February, 2012 | (34) | None |
| | | | 1,035,000 | | | 821,524 | 5.20% | N.A. | 7 Years | February, 2015 | | \$ 136,764 | |
| La Vista Apts. | Concord, Contra Costa | 6,196,904 | 5,545,000 | N.A. | 75 | 5,519,091 | 5.20% | N.A. | 30 Years | June, 2039 | January, 2012 | 283,426 | None |
| Lion Creek Crossings II | Oakland, Alameda | 47,554,045 | 4,040,000 | N.A. | 146 | 3,991,698 | 5.90% | N.A. | 40 Years | November, 2047 | October, 2017 | 108,748 | None |
| | | | 620,000 | | | 529,229 | 5.25% | N.A. | 10 Years | November, 2017 | | | |
| Ridgewood/La Loma (39) | Sacramento, Sacramento | 4,056,975 | 3,075,000 | N.A. | 75 | 3,075,000 | (39) 2.94% | N.A. | 24 Months | (39) | May, 2020 | (34) | None |
| | | | 1,160,000 | | | 1,056,727 | 5.20% | N.A. | 14 Years | January, 2022 | | 77,978 | |
| Yosemite Manor (39) | Madera, Madera | 7,158,685 | 3,400,000 | N.A. | 76 | 950,000 | (39) 3.43% | N.A. | 12 Months | (39) | May, 2020 | (34) | None |
| | | | 810,000 | | | 761,117 | 5.30% | N.A. | 15 Years | June, 2023 | | 76,000 | |
| Subtotals | | \$ 69,709,562 | \$ 23,950,000 | \$0 | 460 | \$ 20,969,387 | | | | | | \$ 682,916 | |
| Developments Financed by the 2008 Series A Bonds | | | | | | | | | | | | | |
| Bay Avenue Sr. Apts. (39) | San Francisco, San Francisco | \$ 10,312,358 | \$ 8,830,000 | N.A. | 206 | \$ 7,280,638 | (39) 1.90% | N.A. | 18 Months | (39) | August, 2027 | (39) | None |
| | | | 1,070,000 | | | 821,440 | 5.20% | N.A. | 6 Years | September, 2013 | | | |
| South Delaware Apts. | San Mateo, San Mateo | 2,683,413 | 795,000 | N.A. | 11 | 757,934 | 5.50% | N.A. | 30 Years | June, 2036 | N.A. | 24,488 | None |
| Subtotals | | \$ 12,995,771 | \$ 10,695,000 | \$0 | 217 | \$ 8,860,011 | | | | | | \$ 24,488 | |
| Developments Financed by the 2008 Series B Bonds: | | | | | | | | | | | | | |
| Bay Avenue Sr. Apts. (39) | Capitola, Santa Cruz | \$ 25,454,000 | \$ 21,580,000 | N.A. | 109 | \$ 8,630,044 | (39) 5.00% | N.A. | 24 Months | (39) | N.A. | (39) | None |
| Belvedere Place | San Rafael, Marin | 5,997,804 | 1,475,000 | N.A. | 26 | 1,338,648 | 5.95% | N.A. | 30 Years | May, 2033 | N.A. | \$ 124,693 | None |
| Corralitos Creek Apts. | Fremont, Santa Cruz | 13,536,478 | 2,500,000 | N.A. | 64 | 2,332,969 | 5.25% | N.A. | 30 Years | May, 2035 | N.A. | 196,759 | None |
| Kennedy Meadows (40) | Jackson, Amador | 9,019,102 | 1,407,461 | N.A. | 56 | 1,348,101 | (40) 5.40% | N.A. | 30 Years | October, 2036 | N.A. | 55,103 | None |

DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS

COMPLETED DEVELOPMENTS

APPENDIX A

| Name of Development | Location (City and County) | Total Development Cost | Original Tax- Exempt Loan Amount | Original Loan Amount Not Tax- Exempt | Number of Units | Outstanding Tax- Exempt Loan Balance as of September 30, 2009 | Existing Tax- Exempt Loan Interest Rate | Subsidizing Tax- Exempt Loan Interest Rate | Existing Tax- Exempt Loan Term | Permanent Loan Maturity Date | HAP Contract Expiration Date | Replacement Reserve Balance September 30, 2009 | FHA Insurance |
|---|---|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|------------------------------------|------------------------------------|--|------------------|
| | | | | | | | | (1) | | | | | |
| Noble Towers | Oakland, Alameda | 30,365,805 | 4,000,000 | N.A. | 195 | 3,755,530 12,027,855 | 5.25% 5.25% | N.A. | 30 Years 17 Years | October, 2035 January, 2022 | February, 2022 | 520,498 | Risk-Share |
| Oak Tree Village | San Jose, | 50,642,000 | 24,465,000 | N.A. | 175 | 23,875,832 | 5.45% | N.A. | 40 Years | July, 2046 | N.A. | 143,701 | None |
| Sierra Vista Apts. (34) | Santa Clara Sierra Madre, Los Angeles | (34) 1,437,539 660,000 | 1,437,539 | N.A. | (34) | 1,418,179 (34) | 5.35% 4.00% | N.A. | 35 Years 1 Year | May, 2043 May, 2009 | N.A. | (34) | None |
| Tahoe Senior Plaza II (39) | S. Lake Tahoe, Eldorado | 7,598,204 | 4,730,000 | N.A. | 33 | 3,662,573 (39) | 1.90% | N.A. | 18 Months | (39) | N.A. | (39) | None |
| Villa Springs Apts. (39) | Hayward, Alameda | 8,924,232 | 5,700,000 | N.A. | 66 | 5,296,874 (39) | 1.90% | N.A. | 12 Months | (39) | N.A. | (39) | None |
| Willow Glen Senior | San Jose, Santa Clara | 22,426,855 | 8,825,000 | N.A. | 133 | 7,958,057 | 5.95% | N.A. | 30 Years | January, 2033 | N.A. | 133,835 | None |
| Subtotals | | \$ 173,964,480 | \$ 91,335,000 | \$0 | 857 | \$ 71,644,662 | | | | | | \$ 1,174,591 | |
| Developments Financed by the 2008 Series C Bonds: | | | | | | | | | | | | | |
| Baywood Apts. | Oakland, Alameda | \$ 8,440,134 | \$ 4,035,000 | N.A. | 77 | \$ 3,799,731 | 5.25% | N.A. | 30 Years | December, 2035 | N.A. | \$252,978 | Risk-Share |
| Glenbrook Apts. | Grass Valley, Nevada | 10,599,093 | 3,820,000 1,870,000 | N.A. | 52 | 3,714,680 0 | 5.45% 4.00% | N.A. | 40 Years 1 Year | February, 2046 | N.A. | 38,455 | None |
| Kennedy Meadows (40) | Jackson, Amador | (40) | 2,113,539 1,695,000 | N.A. | (40) | 2,023,442 (40) - | 5.40% 4.00% | N.A. | 30 Years 1 Year | October, 2036 | N.A. | (40) | None |
| Mission Gateway | Union City, Alameda | 39,726,477 | 6,730,000 | N.A. | 121 | 6,447,673 | 5.25% | N.A. | 30 Years | November, 2036 | N.A. | 116,095 | Risk-Share |
| Moore Village at Wildhorse | Davis, Yolo | 9,547,890 | 3,100,000 1,945,000 | N.A. | 59 | 2,919,248 - | 5.25% 4.00% | N.A. | 30 Years 2 Years | November, 2035 | N.A. | 95,890 | None |
| Moulton Plaza (36) | Sunnyvale, Santa Clara | (36) | 455,000 | N.A. | (36) | 441,585 (36) | 5.25% | N.A. | 35 Years | December, 2041 | N.A. | (36) | None |
| Oak Court Apts. | Palo Alto, Santa Clara | 15,198,073 | 1,590,000 | N.A. | 53 | 1,495,062 | 5.25% | N.A. | 30 Years | November, 2035 | N.A. | 88,168 | None |
| Point Reyes Affordable Homes | Point Reyes, Marin | 7,122,735 | 720,000 | N.A. | 27 | 564,587 | 5.25% | N.A. | 9 Years | May, 2016 | N.A. | 29,074 | None |
| Tremont Green | Davis, Yolo | 6,943,527 | 1,600,000 1,650,000 | N.A. | 36 | 1,504,465 - | 5.25% 4.00% | N.A. | 30 Years 2 Years | November, 2035 | N.A. | 59,884 | None |
| Union Court | Manitaca, San Joaquin | 8,496,015 | 1,295,000 | N.A. | 68 | 1,179,077 | 5.75% | N.A. | 30 Years | September, 2033 | N.A. | 118,685 | None |
| Villa Madera Apartments | Oxnard, Ventura | 15,156,448 | 4,040,000 515,000 | N.A. | 72 | 3,799,187 341,512 | 5.40% 5.40% | N.A. | 30 Years 10 Years 3 Years | September, 2035 September, 2015 | N.A. | 91,894 | None |
| West Covina Senior Villas | West Covina, Los Angeles | 7,028,500 | 3,735,000 2,800,000 | N.A. | 85 | - 2,608,895 | 4.00% 5.25% | N.A. | 30 Years | April, 2035 | N.A. | 139,924 | None |

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

COMPLETED DEVELOPMENTS**APPENDIX A**

| Name of Development | Location (City and County) | Total Development Cost | Original Tax- Exempt Loan Amount | Original Loan Amount Not Tax- Exempt | Number of Units | Outstanding Tax- Exempt Loan Balance as of September 30, 2009 | Existing Tax- Exempt Loan Interest Rate | Subsidizing Tax- Exempt Loan Interest Rate | Existing Tax- Exempt Loan Term | Permanent Loan Maturity Date | HAP Contract Expiration Date | Replacement Reserve Balance September 30, 2009 | FHA Insurance |
|--|-------------------------------|------------------------------|--|--|--------------------|--|---|--|--------------------------------------|---------------------------------|------------------------------------|--|------------------|
| Windrow Apartments (37) | Irvine, Orange | (37) | 952,461 | N.A. | (37) | 930,679 | 5.25% | N.A. | 35 Years | July, 2042 | N.A. | (37) | None |
| | Subtotals | \$ 128,258,892 | \$ 44,661,000 | \$0 | 650 | \$ 31,769,824 | | | | | | \$ 1,031,046 | |
| Developments Financed by the General Program Account: | | | | | | | | | | | | | |
| The ARC Apts. | San Francisco, | \$ 2,548,002 | \$ 1,065,000 | N.A. | 9 | \$ 822,429 | 1.00% | 5.90% | 30 Years | January, 2032 | N.A. | 33,282 | Risk-Share |
| | San Francisco | | | | | | | | | | | | |
| Britton Street (3) | San Francisco, | (3) | 1,033,400 | N.A. | (3) | 544,272 | 6.00% | N.A. | 15 Years | December, 2015 | N.A. | (3) | Risk-Share |
| | San Francisco | | | | | | | | | | | | |
| Chelsea Gardens | Santa Rosa, | 7,206,463 | 3,855,000 | \$ 600,000 | 120 | 3,245,268 | 5.90% | N.A. | 30 Years | January, 2030 | N.A. | 179,095 | Risk-Share |
| | Sonoma | | | | | | | | | | | | |
| Creekside Apts. | Albany, | 3,141,466 | 878,000 | N.A. | 16 | 829,363 | 6.35% | N.A. | 40 Years | November, 2041 | N.A. | 59,636 | Risk-Share |
| | Alameda | | | | | | | | | | | | |
| Tice Oaks | Walnut Creek, | 9,495,784 | 2,475,000 | N.A. | 91 | 2,169,542 | 6.20% | N.A. | 30 Years | July, 2031 | February, 2011 | 537,579 | None |
| | Contra Costa | | 2,540,000 | | | 564,898 | 6.20% | N.A. | 11 Years | July, 2011 | | | |
| West Capitol Courtyard | W. Sacramento, | 11,179,012 | 1,873,600 | N.A. | 75 | 1,589,385 | 6.20% | N.A. | 30 Years | January, 2030 | N.A. | 36,949 | Risk-Share |
| | Yolo | | | | | | | | | | | | |
| | Subtotals | \$ 33,570,727 | \$ 13,720,000 | \$600,000 | 311 | \$ 9,765,156 | | | | | | \$ 846,542 | |
| | Total | \$ 3,242,811,458 | \$ 1,530,053,883 | \$ 57,090,730 | 26013 | \$ 1,256,542,477 | | | | | | \$ 42,508,748 | |

(1) The Agency is currently subsidizing the interest rate on these permanent loans. The source of funds for this interest rate subsidy comes from the Agency's share of McKinney Act savings from certain FAF projects.

(2) This loan is financed by the 1997 Series A and 1998 Series B Bonds.

(3) This loan is financed by the 1998 Series A, 1999 Series A Bonds and the General Program account.

(4) This loan is financed by the 1998 Series A and 1998 Series B Bonds.

(5) This bridge loan is financed by the 1998 Series A and 2000 Series A Bonds.

(6) Indicates range of interest rates for stepped-rate loans.

(7) This loan is financed by the 1998 Series C and 2001 Series D Bonds.

(8) This project is a FAF project for which the original loan interest rate of 12.00% is still in force. The difference between the principal and interest payment at 12.00% and the payment at 9.05% is treated as McKinney Act savings and shared equally by the Agency and HUD.

(9) This loan is financed by the 1998 Series C and 2001 Series F Bonds.

(10) This loan is financed by the 1999 Series A and 2000 Series A Bonds.

(11) These loan amounts are in the form of a FNMA mortgage-backed security.

(12) This loan is financed by the 2000 Series A and 2001 Series H Bonds.

(13) This loan is financed by the 2000 Series B and 2001 Series C Bonds.

(14) This loan is financed by 2000 Series C Bonds, 2001 Series E Bonds and with the Agency's unrestricted available moneys. This project receives Section 8 subsidy for 243 of the 312 units.

(15) This loan is financed by 2000 Series C and 2001 Series H Bonds.

(16) This loan is financed by 2000 Series C and 2001 Series H Bonds.

(17) These loans are financed by the 2000 Series C and 2001 Series C Bonds.

(18) This loan is financed by 2000 Series C Bonds and 2001 Series E Bonds.

(19) This loan is financed by 2000 Series C Bonds and 2001 Series C Bonds.

(20) These Bonds are taxable. The loan information listed for these projects is for non-tax-exempt loans.

(21) This loan is financed by 2001 Series C and 2005 Series B Bonds.

(22) These loans are financed by 2001 Series C and 2004 Series B Bonds.

**DESCRIPTION OF DEVELOPMENTS AND LOANS FINANCED BY
OR EXPECTED TO BE FINANCED BY THE PRIOR SERIES BONDS**

APPENDIX A

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APPENDIX B

CERTAIN AGENCY FINANCIAL INFORMATION AND OPERATING DATA

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Appendix B: Certain Agency Financial Information and Operating Data

The following tables set forth certain information regarding interest rate swap agreements, liquidity facilities, and certain investments, all with respect to the Prior Series Bonds, and certain information with respect to the bonds of the Agency.

Fixed Payer Swap Agreements Payable as General Obligations of the Agency
Executed to Hedge Taxable Variable Rate Bond
as of January 1, 2010

| Bond Series | Initial Notional Amount | Outstanding Notional Amount* | Fixed Rate Paid by Agency | Float Rate Received by Agency | Average Years To Maturity |
|--------------------|------------------------------------|---|--------------------------------------|--|--|
| HMRB 1999O | \$85,000,000.00 | \$7,200,000.00 | 6.65500 % | 100% of 1 mo. LIBOR | 0.88 |
| HMRB 2000D | 15,670,000.00 | 9,335,000.00 | 7.20000 % | 100% of 1 mo. LIBOR | 0.86 |
| HMRB 2000H | 120,000,000.00 | 4,005,000.00 | 7.26000 % | 100% of 1 mo. LIBOR | 0.00 |
| HMRB 2000V | 102,000,000.00 | 30,250,000.00 | 7.09600 % | 100% of 6 mo. LIBOR | 1.72 |
| HMRB 2000Z | 102,000,000.00 | 33,055,000.00 | 6.84300 % | 100% of 3 mo. LIBOR | 2.49 |
| HMRB 2001D | 112,000,000.00 | 50,015,000.00 | 6.21500 % | 100% of 3 mo. LIBOR + 0.26% | 3.82 |
| HMRB 2001G | 38,435,000.00 | 29,885,000.00 | 6.01000 % | 100% of 3 mo. LIBOR + 0.20% | 2.64 |
| HMRB 2001O | 126,000,000.00 | 54,000,000.00 | 6.36000 % | 100% of 3 mo. LIBOR + 0.27% | 4.16 |
| HMRB 2001S | 80,745,000.00 | 36,485,000.00 | 5.53000 % | 100% of 3 mo. LIBOR + 0.31% | 3.25 |
| HMRB 2002C | 82,500,000.00 | 21,540,000.00 | 5.60000 % | 100% of 3 mo. LIBOR + 0.25% | 0.82 |
| HMRB 2002D | 88,000,000.00 | 13,545,000.00 | 5.80000 % | 100% of 3 mo. LIBOR + 0.17% | 0.24 |
| HMRB 2002H | 70,000,000.00 | 10,140,000.00 | 5.53500 % | 100% of 3 mo. LIBOR + 0.25% | 0.85 |
| HMRB 2002L | 59,500,000.00 | 16,200,000.00 | 5.10000 % | 100% of 3 mo. LIBOR + 0.25% | 0.90 |
| HMRB 2002O | 56,000,000.00 | 12,065,000.00 | 3.98900 % | 100% of 3 mo. LIBOR + 0.22% | 0.64 |
| HMRB 2008I | 17,000,000.00 | 17,000,000.00 | 6.20000 % | 100% of 1 mo. LIBOR | 2.34 |
| HMRB 2008I | 48,655,000.00 | 42,795,000.00 | 7.11000 % | 100% of 1 mo. LIBOR | 5.88 |
| TOTAL: | \$1,203,505,000.00 | \$387,515,000.00 | | | |

* The notional amount of each interest rate swap agreement will be adjusted from time to time in accordance with the terms of such agreement.

Fixed Payer Swap Agreements Payable as General Obligations of the Agency
Executed to Hedge Tax-Exempt Variable Rate Bonds
as of January 1, 2010

| <u>Bond Series</u> | <u>Initial Notional Amount</u> | <u>Outstanding Notional Amount*</u> | <u>Fixed Rate Paid by Agency</u> | <u>Float Rate Received by Agency</u> | <u>Average Years To Maturity</u> |
|--------------------|------------------------------------|---|--------------------------------------|--|--|
| HMRB 2000J | \$36,460,000.00 | \$23,870,000.00 | 4.90000 % | 65% of 1 mo. LIBOR | 8.24 |
| HMRB 2000N** | 50,000,000.00 | 29,915,000.00 | 5.16000 % | 65% of 1 mo. LIBOR | 7.07 |
| HMRB 2000X2 | 36,445,000.00 | 28,980,000.00 | 4.51000 % | 65% of 1 mo. LIBOR | 7.77 |
| HMRB 2001J | 86,300,000.00 | 42,300,000.00 | 4.14300 % | 65% of 1 mo. LIBOR | 4.31 |
| HMRB 2001U | 63,060,000.00 | 51,700,000.00 | 4.13000 % | 100% of SIFMA - 0.15% | 6.52 |
| HMRB 2002B | 49,500,000.00 | 39,875,000.00 | 3.88800 % | 65% of 1 mo. LIBOR | 9.30 |
| HMRB 2002F | 70,000,000.00 | 46,570,000.00 | 3.99400 % | 65% of 1 mo. LIBOR | 5.50 |
| HMRB 2002J | 103,570,000.00 | 78,230,000.00 | 3.86300 % | 65% of 1 mo. LIBOR | 5.13 |
| HMRB 2002M | 41,600,000.00 | 41,600,000.00 | 3.72800 % | 65% of 1 mo. LIBOR | 6.84 |
| HMRB 2002Q** | 41,600,000.00 | 15,645,000.00 | 3.82000 % | 65% of 1 mo. LIBOR | 16.84 |
| HMRB 2002U** | 48,135,000.00 | 35,160,000.00 | 3.24000 % | 60% of 1 mo. LIBOR + 0.26% | 5.97 |
| HMRB 2002U** | 53,160,000.00 | 11,715,000.00 | 3.91000 % | 60% of 1 mo. LIBOR + 0.26% | 12.48 |
| HMRB 2003D** | 58,000,000.00 | 40,315,000.00 | 3.77500 % | 60% of 1 mo. LIBOR + 0.26% | 15.90 |
| HMRB 2003D** | 58,250,000.00 | 36,865,000.00 | 3.13000 % | 60% of 1 mo. LIBOR + 0.26% | 4.67 |
| HMRB 2003F** | 79,565,000.00 | 71,265,000.00 | 3.70000 % | 60% of 1 mo. LIBOR + 0.26% | 15.14 |
| HMRB 2003F** | 60,270,000.00 | 45,455,000.00 | 3.12500 % | 60% of 1 mo. LIBOR + 0.26% | 4.22 |
| HMRB 2003H** | 60,465,000.00 | 48,900,000.00 | 2.67500 % | 60% of 1 mo. LIBOR + 0.26% | 5.14 |
| HMRB 2003H** | 89,535,000.00 | 9,100,000.00 | 3.42700 % | 60% of 1 mo. LIBOR + 0.26% | 14.13 |
| HMRB 2003K** | 72,000,000.00 | 60,550,000.00 | 3.27000 % | 60% of 1 mo. LIBOR + 0.26% | 4.02 |
| HMRB 2003K** | 78,000,000.00 | 13,120,000.00 | 4.24500 % | 60% of 1 mo. LIBOR + 0.26% | 13.70 |
| HMRB 2003M** | 69,580,000.00 | 49,955,000.00 | 3.22500 % | 60% of 1 mo. LIBOR + 0.26% | 4.96 |
| HMRB 2003M** | 80,420,000.00 | 49,340,000.00 | 3.89000 % | 60% of 1 mo. LIBOR + 0.26% | 19.95 |
| HMRB 2004A | 56,720,000.00 | 35,160,000.00 | 3.08750 % | 60% of 1 mo. LIBOR + 0.26% | 5.45 |
| HMRB 2004A** | 43,235,000.00 | 3,080,000.00 | 4.04500 % | 60% of 1 mo. LIBOR + 0.26% | 15.66 |
| HMRB 2004E** | 60,065,000.00 | 52,845,000.00 | 3.54000 % | 60% of 1 mo. LIBOR + 0.26% | 4.81 |
| HMRB 2004E** | 69,040,000.00 | 59,935,000.00 | 4.13300 % | 60% of 1 mo. LIBOR + 0.26% | 19.46 |
| HMRB 2004G | 67,995,000.00 | 57,715,000.00 | 3.61000 % | 60% of 1 mo. LIBOR + 0.26% | 7.14 |
| HMRB 2004G** | 31,960,000.00 | 21,625,000.00 | 4.08210 % | 60% of 1 mo. LIBOR + 0.26% | 17.20 |
| HMRB 2004I** | 12,935,000.00 | 5,305,000.00 | 4.07500 % | 60% of 1 mo. LIBOR + 0.26% | 16.82 |
| HMRB 2004I | 17,065,000.00 | 17,065,000.00 | 3.56000 % | 60% of 1 mo. LIBOR + 0.26% | 7.52 |
| HMRB 2005A** | 200,000,000.00 | 146,695,000.00 | 3.80400 % | 60% of 1 mo. LIBOR + 0.26% | 15.72 |
| HMRB 2005B | 64,780,000.00 | 41,235,000.00 | 3.04900 % | 60% of 1 mo. LIBOR + 0.26% | 2.68 |
| HMRB 2005B** | 95,220,000.00 | 39,645,000.00 | 3.72600 % | 60% of 1 mo. LIBOR + 0.26% | 15.21 |
| HMRB 2005D** | 106,130,000.00 | 56,895,000.00 | 3.60400 % | 60% of 1 mo. LIBOR + 0.26% | 15.44 |
| HMRB 2005D** | 69,870,000.00 | 57,615,000.00 | 3.15800 % | 60% of 1 mo. LIBOR + 0.26% | 5.84 |
| HMRB 2005F** | 86,685,000.00 | 86,685,000.00 | 3.38600 % | 60% of 1 mo. LIBOR + 0.26% | 17.01 |
| HMRB 2005F** | 73,315,000.00 | 66,880,000.00 | 3.22000 % | 60% of 1 mo. LIBOR + 0.26% | 6.03 |
| HMRB 2005G** | 13,680,000.00 | 12,480,000.00 | 3.93200 % | 62% of 1 mo. LIBOR + 0.25% | 12.39 |
| HMRB 2005G** | 21,320,000.00 | 19,460,000.00 | 4.45400 % | 97% of SIFMA | 12.39 |
| HMRB 2005H** | 76,710,000.00 | 67,265,000.00 | 3.85700 % | 62% of 1 mo. LIBOR + 0.25% | 18.18 |
| HMRB 2005H** | 88,290,000.00 | 72,640,000.00 | 3.65000 % | 62% of 1 mo. LIBOR + 0.25% | 5.43 |
| HMRB 2006A** | 35,000,000.00 | 32,200,000.00 | 4.35300 % | 97% of SIFMA | 12.22 |
| HMRB 2006C** | 89,005,000.00 | 82,905,000.00 | 4.05900 % | 62% of 1 mo. LIBOR + 0.25% | 21.06 |
| HMRB 2006C** | 85,995,000.00 | 81,980,000.00 | 4.01800 % | 62% of 1 mo. LIBOR + 0.25% | 9.37 |
| HMRB 2006F** | 60,000,000.00 | 60,000,000.00 | 4.25500 % | 62% of 1 mo. LIBOR + 0.25% | 23.62 |
| HMRB 2006F** | 60,000,000.00 | 60,000,000.00 | 4.13600 % | 62% of 1 mo. LIBOR + 0.25% | 23.72 |
| HMRB 2007H** | 50,000,000.00 | 50,000,000.00 | 4.04800 % | 62% of 1 mo. LIBOR + 0.25% | 13.21 |
| HMRB 2007H** | 50,000,000.00 | 50,000,000.00 | 4.23600 % | 62% of 1 mo. LIBOR + 0.25% | 24.02 |
| HMRB 2007K** | 25,000,000.00 | 25,000,000.00 | 4.04000 % | 63% of 1 mo. LIBOR + 0.24% | 25.10 |
| HMRB 2007K** | 25,000,000.00 | 25,000,000.00 | 3.39200 % | 63% of 1 mo. LIBOR + 0.24% | 19.12 |
| HMRB 2008C | 13,920,000.00 | 4,200,000.00 | 4.80000 % | 65% of 1 mo. LIBOR | 6.69 |
| HMRB 2008C** | 20,085,000.00 | 20,085,000.00 | 5.16000 % | 65% of 1 mo. LIBOR | 8.47 |
| HMRB 2008C | 15,850,000.00 | 15,770,000.00 | 4.14300 % | 65% of 1 mo. LIBOR | 8.24 |
| HMRB 2008C | 7,005,000.00 | 7,005,000.00 | 3.99400 % | 65% of 1 mo. LIBOR | 12.53 |
| HMRB 2008C | 7,760,000.00 | 7,760,000.00 | 3.86300 % | 65% of 1 mo. LIBOR | 17.59 |
| HMRB 2008C** | 5,945,000.00 | 5,945,000.00 | 4.95000 % | 65% of 1 mo. LIBOR | 12.82 |
| HMRB 2008D | 46,025,000.00 | 14,435,000.00 | 4.80000 % | 65% of 1 mo. LIBOR | 4.83 |
| HMRB 2008D | 1,680,000.00 | 1,680,000.00 | 4.90000 % | 65% of 1 mo. LIBOR | 18.56 |
| HMRB 2008D | 2,595,000.00 | 2,595,000.00 | 4.14300 % | 65% of 1 mo. LIBOR | 10.00 |
| HMRB 2008D | 1,355,000.00 | 1,355,000.00 | 3.99100 % | 65% of 1 mo. LIBOR | 8.00 |
| HMRB 2008D | 42,500,000.00 | 39,630,000.00 | 4.85000 % | 65% of 1 mo. LIBOR | 3.28 |
| HMRB 2008D | 3,865,000.00 | 3,865,000.00 | 4.13000 % | 100% of SIFMA - 0.15% | 19.80 |
| HMRB 2008E | 28,450,000.00 | 26,885,000.00 | 4.52750 % | 65% of 1 mo. LIBOR | 2.84 |

| Bond Series | Initial Notional Amount | Outstanding Notional Amount* | Fixed Rate Paid by Agency | Float Rate Recieved by Agency | Average Years To Maturity |
|--------------------|------------------------------------|---|--------------------------------------|--|--|
| HMRB 2008E | 17,950,000.00 | 16,340,000.00 | 4.66000 % | 65% of 1 mo. LIBOR | 2.54 |
| HMRB 2008E** | 19,055,000.00 | 19,055,000.00 | 4.95000 % | 65% of 1 mo. LIBOR | 9.83 |
| HMRB 2008F | 25,000,000.00 | 25,000,000.00 | 3.87000 % | 65% of 1 mo. LIBOR | 3.74 |
| HMRB Indenture*** | 0.00 | 54,615,000.00 | 3.14800 % | 65% of 1 mo. LIBOR | 7.04 |
| HMRB Indenture*** | 0.00 | 11,630,000.00 | 3.99100 % | 65% of 1 mo. LIBOR | 3.30 |
| MHRBIII 2000B | 9,200,000.00 | 1,490,000.00 | 4.58500 % | 64% of 1 mo. LIBOR | 7.06 |
| MHRBIII 2000D | 15,160,000.00 | 14,625,000.00 | 4.40000 % | 64% of 1 mo. LIBOR | 10.96 |
| MHRBIII 2001D | 3,265,000.00 | 2,530,000.00 | 4.45200 % | 100% of SIFMA - 0.20% | 6.87 |
| MHRBIII 2001E | 55,870,000.00 | 48,360,000.00 | 4.71200 % | 100% of SIFMA - 0.15% | 13.42 |
| MHRBIII 2001F | 19,040,000.00 | 15,105,000.00 | 4.02900 % | 100% of SIFMA - 0.20% | 9.98 |
| MHRBIII 2001G | 47,660,000.00 | 43,485,000.00 | 4.20500 % | 100% of SIFMA - 0.15% | 12.88 |
| MHRBIII 2001G | 10,655,000.00 | 9,550,000.00 | 4.59500 % | 100% of SIFMA - 0.15% | 13.55 |
| MHRBIII 2002A | 19,575,000.00 | 17,210,000.00 | 4.50000 % | 100% of SIFMA - 0.15% | 11.44 |
| MHRBIII 2002A | 13,275,000.00 | 11,795,000.00 | 4.89000 % | 100% of SIFMA - 0.15% | 15.37 |
| MHRBIII 2002B | 25,875,000.00 | 25,080,000.00 | 4.04000 % | 100% of SIFMA - 0.20% | 11.79 |
| MHRBIII 2002C | 16,500,000.00 | 16,190,000.00 | 4.64000 % | 100% of SIFMA - 0.15% | 15.33 |
| MHRBIII 2002C | 13,980,000.00 | 13,730,000.00 | 4.41000 % | 100% of SIFMA - 0.15% | 16.00 |
| MHRBIII 2002D | 12,655,000.00 | 11,645,000.00 | 4.08500 % | 100% of SIFMA - 0.20% | 14.35 |
| MHRBIII 2002E | 16,470,000.00 | 15,175,000.00 | 4.15100 % | 100% of SIFMA - 0.15% | 14.86 |
| MHRBIII 2002E | 42,025,000.00 | 39,850,000.00 | 4.57100 % | 100% of SIFMA - 0.15% | 18.01 |
| MHRBIII 2003C** | 16,850,000.00 | 14,435,000.00 | 3.55600 % | 60% of 1 mo. LIBOR + 0.26% | 11.25 |
| MHRBIII 2003C** | 17,470,000.00 | 15,425,000.00 | 4.02600 % | 60% of 1 mo. LIBOR + 0.26% | 13.15 |
| MHRBIII 2003C** | 19,010,000.00 | 17,415,000.00 | 4.17700 % | 60% of 1 mo. LIBOR + 0.26% | 14.59 |
| MHRBIII 2004A | 23,900,000.00 | 20,870,000.00 | 3.05900 % | 60% of 1 mo. LIBOR + 0.21% | 10.86 |
| MHRBIII 2004B** | 12,950,000.00 | 12,380,000.00 | 3.69200 % | 60% of 1 mo. LIBOR + 0.26% | 16.08 |
| MHRBIII 2004B** | 7,590,000.00 | 6,510,000.00 | 3.38600 % | 60% of 1 mo. LIBOR + 0.26% | 13.75 |
| MHRBIII 2004B** | 5,680,000.00 | 5,250,000.00 | 3.33000 % | 60% of 1 mo. LIBOR + 0.26% | 14.58 |
| MHRBIII 2004B** | 3,060,000.00 | 2,615,000.00 | 4.53900 % | 100% of SIFMA - 0.15% | 13.94 |
| MHRBIII 2004B** | 16,890,000.00 | 15,130,000.00 | 4.97830 % | 100% of SIFMA - 0.15% | 13.74 |
| MHRBIII 2004C | 9,720,000.00 | 8,450,000.00 | 3.43500 % | 60% of 1 mo. LIBOR + 0.21% | 8.49 |
| MHRBIII 2005A | 2,480,000.00 | 2,320,000.00 | 3.56400 % | 100% of SIFMA - 0.20% | 15.28 |
| MHRBIII 2005B** | 2,825,000.00 | 2,650,000.00 | 3.95400 % | 100% of SIFMA - 0.15% | 15.30 |
| MHRBIII 2005B** | 26,645,000.00 | 25,260,000.00 | 4.07900 % | 100% of SIFMA - 0.15% | 13.57 |
| MHRBIII 2005B** | 4,060,000.00 | 3,955,000.00 | 3.95700 % | 100% of SIFMA - 0.15% | 18.05 |
| MHRBIII 2005D | 33,870,000.00 | 31,460,000.00 | 3.70100 % | 60% of 1 mo. LIBOR + 0.26% | 12.76 |
| MHRBIII 2006A | 8,300,000.00 | 7,685,000.00 | 4.04200 % | 97% of SIFMA | 7.49 |
| MHRBIII 2006A** | 9,445,000.00 | 9,360,000.00 | 4.38100 % | 97% of SIFMA | 17.00 |
| MHRBIII 2006A** | 4,290,000.00 | 4,250,000.00 | 4.49200 % | 97% of SIFMA | 22.21 |
| MHRBIII 2007B** | 6,220,000.00 | 6,220,000.00 | 4.22200 % | 64% of 1 mo. LIBOR + 0.25% | 16.69 |
| MHRBIII 2007B | 6,410,000.00 | 2,735,000.00 | 3.93700 % | 64% of 1 mo. LIBOR + 0.25% | 6.16 |
| MHRBIII 2007C** | 11,345,000.00 | 10,895,000.00 | 3.72800 % | 63% of 1 mo. LIBOR + 0.30% | 10.73 |
| MHRBIII 2007C** | 14,125,000.00 | 14,125,000.00 | 3.91900 % | 63% of 1 mo. LIBOR + 0.30% | 18.68 |
| MHRBIII 2008A | 11,180,000.00 | 11,180,000.00 | 3.29500 % | 61% of 1 mo. LIBOR + 0.21% | 17.51 |
| MHRBIII 2008B | 26,300,000.00 | 25,300,000.00 | 3.38500 % | 100% of SIFMA - 0.15% | 10.40 |
| MHRBIII 2008B | 28,800,000.00 | 28,315,000.00 | 4.29500 % | 100% of SIFMA - 0.15% | 16.54 |
| MHRBIII 2008C | 8,995,000.00 | 8,795,000.00 | 3.88300 % | 60% of 3 mo. LIBOR + 0.26% | 16.84 |
| MHRBIII 2008C | 15,035,000.00 | 14,510,000.00 | 3.96800 % | 60% of 3 mo. LIBOR + 0.26% | 14.45 |
| MHRBIII 2008C | 9,360,000.00 | 9,150,000.00 | 4.06000 % | 60% of 3 mo. LIBOR + 0.26% | 16.61 |
| MHRBIII Indenture | 0.00 | 16,130,000.00 | 2.33000 % | 100% of SIFMA - 0.05% | 0.00 |
| TOTAL: | \$4,063,980,000.00 | \$3,174,180,000.00 | | | |

* The notional amount of each interest rate swap agreement will be adjusted from time to time in accordance with the terms of such agreement.

** Denotes swaps in which the Agency owns par termination options over time.

*** These swaps are treated as indenture balance sheet hedges. For tax purposes, they are not integrated with any variable rate bonds as effective hedges.

**Basis Swap Agreements as General Obligations of the Agency
Executed to Hedge Tax-Exempt Variable Rate Bonds
as of January 1, 2010**

| Bond Series | Initial Notional Amount | Outstanding Notional Amount* | Variable Rate Paid by Agency | Floating Rate Received by Agency | Average Years To Maturity |
|--------------------|------------------------------------|---|---|---|--|
| HMRB 2000J | \$34,720,000.00 | \$25,550,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 8.92 |
| HMRB 2000X2 | 36,445,000.00 | 28,980,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 7.77 |
| HMRB 2002B | 49,170,000.00 | 39,875,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 9.30 |
| HMRB 2002F | 68,250,000.00 | 53,575,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 6.42 |
| HMRB 2002M | 41,600,000.00 | 41,600,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 6.84 |
| HMRB Indenture** | 0.00 | 39,630,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 3.28 |
| HMRB Indenture** | 0.00 | 12,985,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 3.79 |
| HMRB Indenture** | 0.00 | 26,885,000.00 | 65% of 1 mo. LIBOR | #100% of Stepped % of LIBOR - 0.0190% | 2.84 |
| TOTAL: | \$230,185,000.00 | \$269,080,000.00 | | | |

* The notional amount of each interest rate swap agreement will be adjusted from time to time in accordance with the terms of such agreement.

** These swaps are treated as indenture balance sheet hedges. For tax purposes, they are not integrated with any variable rate bonds as effective hedges.

Stepped % of LIBOR

| Index Name | Index Formula | When LIBOR IS | |
|--------------------|-----------------------|-------------------------------------|----------------------|
| | | Greater Than or Equal To | Less Than |
| Stepped % of LIBOR | 85.00% of 1 mo. LIBOR | 0.00 % | 1.25 % |
| Stepped % of LIBOR | 79.00% of 1 mo. LIBOR | 1.25 % | 2.00 % |
| Stepped % of LIBOR | 70.00% of 1 mo. LIBOR | 2.00 % | 3.15 % |
| Stepped % of LIBOR | 65.00% of 1 mo. LIBOR | 3.15 % | 4.10 % |
| Stepped % of LIBOR | 63.00% of 1 mo. LIBOR | 4.10 % | 5.65 % |
| Stepped % of LIBOR | 61.00% of 1 mo. LIBOR | 5.65 % | 6.65 % |
| Stepped % of LIBOR | 60.00% of 1 mo. LIBOR | 6.65 % | |

As of January 1, 2010 the following are the counterparties to the interest rate swap agreements reflected on the previous page, in the following respective approximate outstanding notional amounts.

| Counterparty | Long Term Moody's rating+ | Long Term S & P's Rating+ | Aggregate Fixed Payer Swap Notional Outstanding as of 1/1/2010 | Aggregate Basis Swap Notional Outstanding as of 1/1/2010 | Aggregated Total Swap Notional Outstanding as of 1/1/2010 | Aggregate Total Mark to Market as of 11/5/2009++ |
|---|------------------------------------|------------------------------------|--|---|--|--|
| JPMorgan Chase Bank, N.A. | Aa1 | AA- | \$894,025,000 | \$269,080,000 | \$1,163,105,000 | (\$62,953,588) |
| Merrill Lynch Capital Services, Inc. | A2 | A | 438,530,000 | 0 | 438,530,000 | (50,640,486) |
| Citigroup Financial Products, Inc. | A3 | A | 478,965,000 | 0 | 478,965,000 | (39,347,356) |
| Deutsche Bank AG | Aa1 | A+ | 257,910,000 | 0 | 257,910,000 | (31,916,905) |
| Merrill Lynch Derivative Products | Aa1 | AAA | 511,295,000 | 0 | 511,295,000 | (30,350,937) |
| Goldman Sachs Mitsui Marine Derivative Products, , L.P. | Aa1 | AAA | 310,275,000 | 0 | 310,275,000 | (22,684,360) |
| AIG Financial Products, Corp. | A3 | A- | 243,760,000 | 0 | 243,760,000 | (11,597,635) |
| Morgan Stanley Capital Services, Inc. | A2 | A | 136,685,000 | 0 | 136,685,000 | (6,170,824) |
| BNP Paribas | Aa1 | AA | 79,340,000 | 0 | 79,340,000 | (5,476,802) |
| Bank of America, N.A. | Aa3 | A+ | 121,955,000 | 0 | 121,955,000 | (5,226,526) |
| UBS AG | Aa2 | A+ | 36,645,000 | 0 | 36,645,000 | (2,382,686) |
| Bank of New York Mellon | Aaa | AA | 25,000,000 | 0 | 25,000,000 | (1,558,092) |
| Dexia Credit Local New York Agency | A1 | A | 27,310,000 | 0 | 27,310,000 | 574,950 |
| Total | | | \$3,561,695,000.00 | \$269,080,000 | \$3,830,775,000 | (\$269,731,246) |

+ The Agency will not provide any supplement to this Official Statement or other notice of any change to such ratings after the date of this Official Statement.

++11/5/2009 mark-to-market valuations are based on swap notional amount as of 11/5/2009.
Negative mark-to-market denotes a payment is required from the Agency to the counterparty

Multifamily Housing Revenue Bonds III Indenture
Liquidity Providers*
as of January 1, 2010

| Provider | Moody's Rating | S & P's Rating | Amount of Liquidity Provided as of 1/1/2010 ** |
|---|---------------------------|-------------------------------|---|
| Fannie Mae | P-1 | A-1+ | \$281,010,000.00 |
| Bank of America, N.A. | P-1 | A-1 | 160,695,000.00 |
| Landesbank Hessen-Thüringen (Helaba) (State Guaranteed) | P-1 | A-1+ | 125,343,750.00 |
| Depfa Bank plc. | P-1 | A-2 | 86,695,000.00 |
| California State Teachers' Retirement System | P-1 | A-1+ | 37,461,250.00 |
| Total | | | \$691,205,000.00 |

* The liquidity agreements with the providers set forth above have scheduled terms of one to ten years. The Agency actively monitors these agreements and the availability of liquidity and seeks to extend contracts where feasible and replace contracts as necessary.

** Does not include interest component.

In connection with certain issuances of Prior Series of Bonds, the Agency has entered into liquidity facilities as described in the above table. Certain of such liquidity facilities are scheduled to expire prior to the scheduled maturity of the related Bonds. In connection with any such scheduled expiration, the Agency may extend the scheduled expiration of the liquidity facility, obtain an alternate liquidity facility to replace the liquidity facility, or cause the related Bonds to be converted to fixed rate Bonds or to bear interest at an interest rate mode which does not require a liquidity facility. No assurance can be given that the Agency will be able to extend the scheduled expiration on any liquidity facility or obtain an alternate liquidity facility to replace any liquidity facility upon terms substantially similar to the terms of the existing liquidity facility.

Multifamily Housing Revenue Bonds III
Funds Deposited in Investment Agreements
as of September 30, 2009

| <u>Provider</u> | <u>Moody's Rating</u> | <u>S&P's Rating</u> | <u>Type of Funds</u> | | <u>Total Amount</u> | |
|--------------------------------------|-----------------------|-------------------------|----------------------|--------------|----------------------|----------------------|
| | | | <u>Program</u> | <u>Float</u> | <u>Invested</u> | |
| Bayerische Landesbank Girozentrale | Aaa | NR | | \$ 9,358,953 | \$ 9,358,953 | |
| Transamerica Life Insurance Company | A1 | AA- | | 9,263,934 | 9,263,934 | |
| Societe Generale, New York Branch | Aa2 | A+ | | 4,035,282 | 4,035,282 | |
| Westdeutsche Landesbank Girozentrale | Aaa | NR | | 3,553,763 | 3,553,763 | |
| Totals in Investment Agreements | | | | <u>\$ -</u> | <u>\$ 26,211,932</u> | <u>\$ 26,211,932</u> |

Composition of MHRBIII Portfolio

Tax Type

| Tax Type | Bonds Outstanding as of 1/1/2010 | Bonds Outstanding Percentage |
|-----------------|---|---|
| AMT | \$932,275,000.00 | 84.84329 % |
| NonAMT | 138,870,000.00 | 12.63810 % |
| Taxable | 27,675,000.00 | 2.51861 % |
| Total | \$1,098,820,000.00 | 100.00000 % |

Insurance Type

| Bond Insurer | Bonds Outstanding as of 1/1/2010 | Bonds Outstanding Percentage |
|-------------------------|---|---|
| Uninsured | \$723,360,000.00 | 65.83062 % |
| MBIA | 213,810,000.00 | 19.45815 % |
| FSA | 125,505,000.00 | 11.42180 % |
| AMBAC | 30,130,000.00 | 2.74203 % |
| FGIC | 6,015,000.00 | 0.54741 % |
| Total | \$1,098,820,000.00 | 100.00000 % |

Insurance Type - VRDO

| Bond Type | Bond Insurer | Bonds Outstanding as of 1/1/2010 | Bonds Outstanding Percentage |
|----------------------|-------------------------|---|---|
| VRDO | Uninsured | \$691,205,000.00 | 100.00000 % |
| VRDO | AMBAC | 0.00 | 0.00000 % |
| Total | | \$691,205,000.00 | 100.00000 % |

Rate Type

| Bond Rate Type | Bonds Outstanding as of 1/1/2010 | Bonds Outstanding Percentage |
|---------------------------|---|---|
| VRDO | \$691,205,000.00 | 62.90430 % |
| Fixed | 236,275,000.00 | 21.50261 % |
| Auction | 108,595,000.00 | 9.88287 % |
| R-Floats | 62,745,000.00 | 5.71022 % |
| Total | \$1,098,820,000.00 | 100.00000 % |

**CALIFORNIA HOUSING FINANCE AGENCY
OUTSTANDING INDEBTEDNESS**

The following table describes the bonds of the Agency issued and outstanding as of 1/1/2010

| Housing Mortgage Bonds | | | | | | Single Family | |
|----------------------------|------------|--------------|---------------|------------------|------------------------|---|--|
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| HMB 2009A | Non-Amt | 5/6/2009 | 5/6/2009 | \$50,000,000.00 | \$50,000,000.00 | \$50,000,000.00 | \$0.00 |
| HMB TOTALS | | | | | \$50,000,000.00 | \$50,000,000.00 | \$0.00 |
| Home Mortgage Revenue Bond | | | | | | Single Family | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| HMRB 1982A | Non-Amt | 10/1/1982 | 11/9/1982 | \$212,000,000.00 | \$1,460,000.00 | \$1,460,000.00 | \$0.00 |
| HMRB 1982B | Non-Amt | 12/1/1982 | 1/18/1983 | \$101,775,000.00 | \$460,000.00 | \$460,000.00 | \$0.00 |
| HMRB 1983A | Non-Amt | 10/1/1983 | 11/16/1983 | \$226,999,840.00 | \$16,091,644.32 | \$16,091,644.32 | \$0.00 |
| HMRB 1983B | Non-Amt | 12/1/1983 | 12/30/1983 | \$84,999,938.00 | \$3,269,057.16 | \$3,269,057.16 | \$0.00 |
| HMRB 1984B | Non-Amt | 11/1/1984 | 12/18/1984 | \$121,435,704.00 | \$464,889.96 | \$464,889.96 | \$0.00 |
| HMRB 1985A | Non-Amt | 4/1/1985 | 5/8/1985 | \$200,001,466.00 | \$806,132.80 | \$806,132.80 | \$0.00 |
| HMRB 1985B | Non-Amt | 7/1/1985 | 8/29/1985 | \$125,002,002.50 | \$3,475,000.00 | \$3,475,000.00 | \$0.00 |
| HMRB 1997O | AMT | 4/23/1998 | 4/23/1998 | \$22,085,000.00 | \$5,305,000.00 | \$5,305,000.00 | \$0.00 |
| HMRB 1998F | Non-Amt | 5/1/1998 | 6/11/1998 | \$85,415,000.00 | \$9,575,000.00 | \$9,575,000.00 | \$0.00 |
| HMRB 1998J | AMT | 7/1/1998 | 7/30/1998 | \$58,200,000.00 | \$990,000.00 | \$990,000.00 | \$0.00 |
| HMRB 1998M | Taxable | 7/30/1998 | 7/30/1998 | \$100,000,000.00 | \$9,175,000.00 | \$0.00 | \$9,175,000.00 |
| HMRB 1999F | AMT | 6/1/1999 | 6/24/1999 | \$44,000,542.55 | \$4,352,986.00 | \$4,352,986.00 | \$0.00 |
| HMRB 1999G | Taxable | 6/1/1999 | 6/24/1999 | \$50,000,000.00 | \$6,690,000.00 | \$6,690,000.00 | \$0.00 |
| HMRB 1999N | AMT | 12/9/1999 | 12/9/1999 | \$85,000,240.07 | \$17,484,330.35 | \$17,484,330.35 | \$0.00 |
| HMRB 1999O | Taxable | 12/9/1999 | 12/9/1999 | \$85,000,000.00 | \$8,830,000.00 | \$0.00 | \$8,830,000.00 |
| HMRB 2000B | AMT | 1/27/2000 | 1/27/2000 | \$34,514,877.75 | \$2,325,708.80 | \$2,325,708.80 | \$0.00 |
| HMRB 2000D | Taxable | 1/27/2000 | 1/27/2000 | \$85,000,000.00 | \$26,060,000.00 | \$0.00 | \$26,060,000.00 |
| HMRB 2000H | Taxable | 4/6/2000 | 4/6/2000 | \$120,000,000.00 | \$26,960,000.00 | \$0.00 | \$26,960,000.00 |
| HMRB 2000J | AMT | 5/25/2000 | 5/25/2000 | \$36,460,000.00 | \$21,675,000.00 | \$0.00 | \$21,675,000.00 |
| HMRB 2000N | AMT | 5/25/2000 | 5/25/2000 | \$50,000,000.00 | \$28,190,000.00 | \$0.00 | \$28,190,000.00 |
| HMRB 2000V | Taxable | 10/5/2000 | 10/5/2000 | \$102,000,000.00 | \$46,350,000.00 | \$0.00 | \$46,350,000.00 |
| HMRB 2000X2 | AMT | 12/13/2000 | 12/13/2000 | \$36,445,000.00 | \$25,135,000.00 | \$0.00 | \$25,135,000.00 |
| HMRB 2000Z | Taxable | 12/13/2000 | 12/13/2000 | \$102,000,000.00 | \$40,915,000.00 | \$0.00 | \$40,915,000.00 |
| HMRB 2001D | Taxable | 1/25/2001 | 1/25/2001 | \$112,000,000.00 | \$62,485,000.00 | \$0.00 | \$62,485,000.00 |
| HMRB 2001G | Taxable | 4/5/2001 | 4/5/2001 | \$105,000,000.00 | \$51,310,000.00 | \$0.00 | \$51,310,000.00 |
| HMRB 2001J | AMT | 5/31/2001 | 5/31/2001 | \$86,300,000.00 | \$44,370,000.00 | \$0.00 | \$44,370,000.00 |
| HMRB 2001K | Taxable | 5/31/2001 | 5/31/2001 | \$144,000,000.00 | \$59,895,000.00 | \$0.00 | \$59,895,000.00 |
| HMRB 2001O | Taxable | 7/26/2001 | 7/26/2001 | \$126,000,000.00 | \$65,535,000.00 | \$0.00 | \$65,535,000.00 |
| HMRB 2001S | Taxable | 10/10/2001 | 10/10/2001 | \$80,745,000.00 | \$44,895,000.00 | \$0.00 | \$44,895,000.00 |
| HMRB 2001U | AMT | 12/6/2001 | 12/6/2001 | \$63,060,000.00 | \$51,515,000.00 | \$0.00 | \$51,515,000.00 |
| HMRB 2001V | Taxable | 12/6/2001 | 12/6/2001 | \$66,000,000.00 | \$16,345,000.00 | \$0.00 | \$16,345,000.00 |
| HMRB 2002B | AMT | 4/18/2002 | 4/18/2002 | \$49,500,000.00 | \$39,960,000.00 | \$0.00 | \$39,960,000.00 |
| HMRB 2002C | Taxable | 2/7/2002 | 2/7/2002 | \$82,500,000.00 | \$36,760,000.00 | \$0.00 | \$36,760,000.00 |
| HMRB 2002D | Taxable | 4/18/2002 | 4/18/2002 | \$88,000,000.00 | \$33,350,000.00 | \$0.00 | \$33,350,000.00 |
| HMRB 2002F | AMT | 6/6/2002 | 6/6/2002 | \$70,000,000.00 | \$41,160,000.00 | \$0.00 | \$41,160,000.00 |
| HMRB 2002H | Taxable | 6/6/2002 | 6/6/2002 | \$70,000,000.00 | \$23,935,000.00 | \$0.00 | \$23,935,000.00 |
| HMRB 2002J | AMT | 8/8/2002 | 8/8/2002 | \$103,570,000.00 | \$78,820,000.00 | \$0.00 | \$78,820,000.00 |
| HMRB 2002L | Taxable | 8/8/2002 | 8/8/2002 | \$59,500,000.00 | \$24,710,000.00 | \$0.00 | \$24,710,000.00 |
| HMRB 2002M | AMT | 10/17/2002 | 10/17/2002 | \$95,680,000.00 | \$75,015,000.00 | \$0.00 | \$75,015,000.00 |
| HMRB 2002O | Taxable | 10/17/2002 | 10/17/2002 | \$56,000,000.00 | \$23,550,000.00 | \$0.00 | \$23,550,000.00 |
| HMRB 2002Q | AMT | 12/12/2002 | 12/12/2002 | \$41,600,000.00 | \$13,620,000.00 | \$0.00 | \$13,620,000.00 |
| HMRB 2002U | AMT | 3/6/2003 | 3/6/2003 | \$101,295,000.00 | \$73,390,000.00 | \$0.00 | \$73,390,000.00 |

The following table describes the bonds of the Agency issued and outstanding as of 1/1/2010

| Home Mortgage Revenue Bond | | | | Single Family | | | |
|----------------------------|------------|--------------|---------------|------------------|----------------------|---|--|
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| HMRB 2003D | AMT | 4/10/2003 | 4/10/2003 | \$116,250,000.00 | \$83,230,000.00 | \$0.00 | \$83,230,000.00 |
| HMRB 2003F | AMT | 6/5/2003 | 6/5/2003 | \$139,835,000.00 | \$120,660,000.00 | \$0.00 | \$120,660,000.00 |
| HMRB 2003G | Taxable | 6/5/2003 | 6/5/2003 | \$50,000,000.00 | \$19,295,000.00 | \$0.00 | \$19,295,000.00 |
| HMRB 2003H | AMT | 8/7/2003 | 8/7/2003 | \$150,000,000.00 | \$103,095,000.00 | \$0.00 | \$103,095,000.00 |
| HMRB 2003I | Taxable | 8/7/2003 | 8/7/2003 | \$50,000,000.00 | \$34,360,000.00 | \$0.00 | \$34,360,000.00 |
| HMRB 2003K | AMT | 9/11/2003 | 9/11/2003 | \$150,000,000.00 | \$108,305,000.00 | \$0.00 | \$108,305,000.00 |
| HMRB 2003L | Taxable | 9/11/2003 | 9/11/2003 | \$50,000,000.00 | \$32,420,000.00 | \$0.00 | \$32,420,000.00 |
| HMRB 2003M | AMT | 11/20/2003 | 11/20/2003 | \$150,000,000.00 | \$125,290,000.00 | \$0.00 | \$125,290,000.00 |
| HMRB 2003N | Taxable | 11/20/2003 | 11/20/2003 | \$50,000,000.00 | \$37,060,000.00 | \$0.00 | \$37,060,000.00 |
| HMRB 2004A | AMT | 2/19/2004 | 2/19/2004 | \$100,000,000.00 | \$69,895,000.00 | \$0.00 | \$69,895,000.00 |
| HMRB 2004B | Taxable | 2/19/2004 | 2/19/2004 | \$35,000,000.00 | \$4,235,000.00 | \$0.00 | \$4,235,000.00 |
| HMRB 2004E | AMT | 5/20/2004 | 5/20/2004 | \$129,105,000.00 | \$120,225,000.00 | \$0.00 | \$120,225,000.00 |
| HMRB 2004F | Taxable | 5/20/2004 | 5/20/2004 | \$50,000,000.00 | \$46,690,000.00 | \$0.00 | \$46,690,000.00 |
| HMRB 2004G | AMT | 6/3/2004 | 6/3/2004 | \$100,000,000.00 | \$80,710,000.00 | \$0.00 | \$80,710,000.00 |
| HMRB 2004H | Taxable | 6/3/2004 | 6/3/2004 | \$35,000,000.00 | \$6,935,000.00 | \$0.00 | \$6,935,000.00 |
| HMRB 2004I | AMT | 7/15/2004 | 7/15/2004 | \$30,000,000.00 | \$24,485,000.00 | \$0.00 | \$24,485,000.00 |
| HMRB 2005A | AMT | 1/20/2005 | 1/20/2005 | \$200,000,000.00 | \$146,695,000.00 | \$0.00 | \$146,695,000.00 |
| HMRB 2005B | AMT | 3/30/2005 | 3/30/2005 | \$200,000,000.00 | \$146,220,000.00 | \$0.00 | \$146,220,000.00 |
| HMRB 2005C | Non-Amt | 5/19/2005 | 5/19/2005 | \$44,000,000.00 | \$22,645,000.00 | \$22,645,000.00 | \$0.00 |
| HMRB 2005D | AMT | 5/19/2005 | 5/19/2005 | \$176,000,000.00 | \$168,965,000.00 | \$0.00 | \$168,965,000.00 |
| HMRB 2005E | Non-Amt | 7/28/2005 | 7/28/2005 | \$20,000,000.00 | \$6,370,000.00 | \$6,370,000.00 | \$0.00 |
| HMRB 2005F | AMT | 7/28/2005 | 7/28/2005 | \$180,000,000.00 | \$173,720,000.00 | \$0.00 | \$173,720,000.00 |
| HMRB 2005G | AMT | 12/15/2005 | 12/15/2005 | \$35,000,000.00 | \$28,040,000.00 | \$0.00 | \$28,040,000.00 |
| HMRB 2005H | AMT | 12/15/2005 | 12/15/2005 | \$165,000,000.00 | \$152,930,000.00 | \$0.00 | \$152,930,000.00 |
| HMRB 2006A | AMT | 2/2/2006 | 2/2/2006 | \$35,000,000.00 | \$32,510,000.00 | \$0.00 | \$32,510,000.00 |
| HMRB 2006B | Non-Amt | 4/19/2006 | 4/19/2006 | \$25,000,000.00 | \$17,645,000.00 | \$17,645,000.00 | \$0.00 |
| HMRB 2006C | AMT | 4/19/2006 | 4/19/2006 | \$175,000,000.00 | \$168,565,000.00 | \$0.00 | \$168,565,000.00 |
| HMRB 2006D | Non-Amt | 7/27/2006 | 7/27/2006 | \$20,000,000.00 | \$20,000,000.00 | \$20,000,000.00 | \$0.00 |
| HMRB 2006E | AMT | 7/27/2006 | 7/27/2006 | \$100,000,000.00 | \$90,045,000.00 | \$90,045,000.00 | \$0.00 |
| HMRB 2006F | AMT | 7/27/2006 | 7/27/2006 | \$120,000,000.00 | \$103,130,000.00 | \$0.00 | \$103,130,000.00 |
| HMRB 2006G | Non-Amt | 9/28/2006 | 9/28/2006 | \$29,490,000.00 | \$29,490,000.00 | \$29,490,000.00 | \$0.00 |
| HMRB 2006H | AMT | 9/28/2006 | 9/28/2006 | \$75,200,000.00 | \$52,300,000.00 | \$52,300,000.00 | \$0.00 |
| HMRB 2006I | AMT | 9/28/2006 | 9/28/2006 | \$165,310,000.00 | \$165,310,000.00 | \$165,310,000.00 | \$0.00 |
| HMRB 2006J | AMT | 10/19/2006 | 10/19/2006 | \$32,790,000.00 | \$26,570,000.00 | \$26,570,000.00 | \$0.00 |
| HMRB 2006K | AMT | 10/19/2006 | 10/19/2006 | \$267,210,000.00 | \$250,485,000.00 | \$250,485,000.00 | \$0.00 |
| HMRB 2006L | AMT | 1/25/2007 | 1/25/2007 | \$50,185,000.00 | \$43,455,000.00 | \$43,455,000.00 | \$0.00 |
| HMRB 2006M | AMT | 1/25/2007 | 1/25/2007 | \$219,815,000.00 | \$212,900,000.00 | \$212,900,000.00 | \$0.00 |
| HMRB 2007A | Taxable | 4/26/2007 | 4/26/2007 | \$90,000,000.00 | \$90,000,000.00 | \$90,000,000.00 | \$0.00 |
| HMRB 2007B | Taxable | 5/30/2007 | 5/30/2007 | \$40,000,000.00 | \$40,000,000.00 | \$0.00 | \$40,000,000.00 |
| HMRB 2007C | Taxable | 6/28/2007 | 6/28/2007 | \$20,000,000.00 | \$20,000,000.00 | \$0.00 | \$20,000,000.00 |
| HMRB 2007D | AMT | 5/16/2007 | 5/16/2007 | \$76,010,000.00 | \$68,425,000.00 | \$68,425,000.00 | \$0.00 |
| HMRB 2007E | AMT | 5/16/2007 | 5/16/2007 | \$193,990,000.00 | \$189,130,000.00 | \$189,130,000.00 | \$0.00 |
| HMRB 2007F | AMT | 8/8/2007 | 8/8/2007 | \$48,260,000.00 | \$43,000,000.00 | \$43,000,000.00 | \$0.00 |
| HMRB 2007G | AMT | 8/8/2007 | 8/8/2007 | \$201,740,000.00 | \$192,485,000.00 | \$192,485,000.00 | \$0.00 |
| HMRB 2007H | AMT | 8/8/2007 | 8/8/2007 | \$100,000,000.00 | \$100,000,000.00 | \$0.00 | \$100,000,000.00 |
| HMRB 2007I | AMT | 11/7/2007 | 11/7/2007 | \$17,280,000.00 | \$16,060,000.00 | \$16,060,000.00 | \$0.00 |
| HMRB 2007J | AMT | 11/7/2007 | 11/7/2007 | \$92,720,000.00 | \$91,560,000.00 | \$91,560,000.00 | \$0.00 |
| HMRB 2007K | AMT | 11/7/2007 | 11/7/2007 | \$50,000,000.00 | \$50,000,000.00 | \$0.00 | \$50,000,000.00 |
| HMRB 2007L | Taxable | 9/25/2007 | 9/25/2007 | \$50,000,000.00 | \$49,190,000.00 | \$49,190,000.00 | \$0.00 |

**CALIFORNIA HOUSING FINANCE AGENCY
OUTSTANDING INDEBTEDNESS**

The following table describes the bonds of the Agency issued and outstanding as of 1/1/2010

| Home Mortgage Revenue Bond | | | | | | | |
|--------------------------------------|------------|--------------|---------------|------------------|---------------------------|---|--|
| Single Family | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| HMRB 2007M | Taxable | 10/30/2007 | 10/30/2007 | \$90,000,000.00 | \$87,905,000.00 | \$87,905,000.00 | \$0.00 |
| HMRB 2007N | Taxable | 11/29/2007 | 11/29/2007 | \$60,000,000.00 | \$60,000,000.00 | \$0.00 | \$60,000,000.00 |
| HMRB 2008A | AMT | 1/30/2008 | 1/30/2008 | \$43,475,000.00 | \$41,525,000.00 | \$41,525,000.00 | \$0.00 |
| HMRB 2008B | AMT | 1/30/2008 | 1/30/2008 | \$35,960,000.00 | \$35,960,000.00 | \$35,960,000.00 | \$0.00 |
| HMRB 2008C | AMT | 1/30/2008 | 1/30/2008 | \$70,565,000.00 | \$70,565,000.00 | \$0.00 | \$70,565,000.00 |
| HMRB 2008D | AMT | 4/9/2008 | 4/9/2008 | \$100,000,000.00 | \$95,230,000.00 | \$0.00 | \$95,230,000.00 |
| HMRB 2008E | AMT | 4/9/2008 | 4/9/2008 | \$65,455,000.00 | \$61,785,000.00 | \$0.00 | \$61,785,000.00 |
| HMRB 2008F | AMT | 4/9/2008 | 4/9/2008 | \$25,000,000.00 | \$25,000,000.00 | \$0.00 | \$25,000,000.00 |
| HMRB 2008G | Taxable | 5/14/2008 | 5/14/2008 | \$50,000,000.00 | \$50,000,000.00 | \$50,000,000.00 | \$0.00 |
| HMRB 2008H | Taxable | 5/14/2008 | 5/14/2008 | \$100,000,000.00 | \$97,110,000.00 | \$97,110,000.00 | \$0.00 |
| HMRB 2008I | Taxable | 5/14/2008 | 5/14/2008 | \$150,000,000.00 | \$148,770,000.00 | \$0.00 | \$148,770,000.00 |
| HMRB 2008J | AMT | 5/15/2008 | 5/15/2008 | \$79,525,000.00 | \$75,545,000.00 | \$75,545,000.00 | \$0.00 |
| HMRB 2008K | AMT | 5/15/2008 | 5/15/2008 | \$220,475,000.00 | \$220,475,000.00 | \$220,475,000.00 | \$0.00 |
| HMRB 2008L | Non-Amt | 8/28/2008 | 8/28/2008 | \$189,790,000.00 | \$188,405,000.00 | \$188,405,000.00 | \$0.00 |
| HMRB 2008M | AMT | 8/28/2008 | 8/28/2008 | \$60,210,000.00 | \$60,210,000.00 | \$60,210,000.00 | \$0.00 |
| HMRB TOTALS | | | | | \$6,509,874,749.39 | \$2,606,949,749.00 | \$3,902,925,000.00 |
| Single-Family Mortgage Bonds II | | | | | | | |
| Single Family | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| SFMBII 1997A-1 | AMT | 3/1/1997 | 4/3/1997 | \$112,000,000.00 | \$3,615,000.00 | \$3,615,000.00 | \$0.00 |
| SFMBII 1997B-1 | AMT | 10/16/1997 | 10/16/1997 | \$25,000,000.00 | \$2,805,000.00 | \$2,805,000.00 | \$0.00 |
| SFMBII 1997B-3 | AMT | 3/31/1998 | 3/31/1998 | \$36,540,000.00 | \$6,575,000.00 | \$6,575,000.00 | \$0.00 |
| SFMBII 1997C-1 | Non-Amt | 9/1/1997 | 10/16/1997 | \$15,000,000.00 | \$475,000.00 | \$475,000.00 | \$0.00 |
| SFMBII 1997C-2 | AMT | 9/1/1997 | 10/16/1997 | \$41,785,000.00 | \$650,000.00 | \$650,000.00 | \$0.00 |
| SFMBII 1998A | AMT | 3/1/1998 | 3/31/1998 | \$15,220,000.00 | \$1,120,000.00 | \$1,120,000.00 | \$0.00 |
| SFMBII 1999A-2 | AMT | 1/1/1999 | 1/28/1999 | \$43,380,000.00 | \$5,940,000.00 | \$5,940,000.00 | \$0.00 |
| SFMBII 1999A-3 | Taxable | 1/1/1999 | 1/28/1999 | \$50,000,000.00 | \$20,000.00 | \$20,000.00 | \$0.00 |
| SFMBII 1999D-2 | AMT | 7/1/1999 | 7/29/1999 | \$40,488,074.20 | \$555,000.00 | \$555,000.00 | \$0.00 |
| SFMBII 1999D-3 | Taxable | 7/1/1999 | 7/29/1999 | \$50,000,000.00 | \$1,750,000.00 | \$1,750,000.00 | \$0.00 |
| SFMBII TOTALS | | | | | \$23,505,000.00 | \$23,505,000.00 | \$0.00 |
| Multifamily Housing Revenue Bonds II | | | | | | | |
| Multifamily | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| MHRBII 1995A | Non-Amt | 10/1/1995 | 11/14/1995 | \$11,195,000.00 | \$2,765,000.00 | \$2,765,000.00 | \$0.00 |
| MHRBII 1995C | Taxable | 10/1/1995 | 11/14/1995 | \$25,355,000.00 | \$19,660,000.00 | \$19,660,000.00 | \$0.00 |
| MHRBII 1996A | Non-Amt | 10/1/1996 | 10/24/1996 | \$16,920,000.00 | \$16,920,000.00 | \$16,920,000.00 | \$0.00 |
| MHRBII 1996B | AMT | 10/1/1996 | 10/24/1996 | \$37,200,000.00 | \$19,930,000.00 | \$19,930,000.00 | \$0.00 |
| MHRBII TOTALS | | | | | \$59,275,000.00 | \$59,275,000.00 | \$0.00 |

**CALIFORNIA HOUSING FINANCE AGENCY
OUTSTANDING INDEBTEDNESS**

The following table describes the bonds of the Agency issued and outstanding as of 1/1/2010

| Multifamily Housing Revenue Bonds III | | | | | | | |
|---------------------------------------|------------|--------------|---------------|------------------|---------------------------|---|--|
| Multifamily | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| MHRBIII 1997A | AMT | 3/1/1997 | 3/26/1997 | \$70,660,000.00 | \$60,040,000.00 | \$60,040,000.00 | \$0.00 |
| MHRBIII 1998A | AMT | 4/1/1998 | 4/23/1998 | \$42,435,000.00 | \$28,445,000.00 | \$28,445,000.00 | \$0.00 |
| MHRBIII 1998B | AMT | 4/1/1998 | 5/7/1998 | \$98,750,000.00 | \$70,260,000.00 | \$70,260,000.00 | \$0.00 |
| MHRBIII 1998C | Non-Amt | 4/1/1998 | 5/7/1998 | \$17,615,000.00 | \$9,230,000.00 | \$9,230,000.00 | \$0.00 |
| MHRBIII 1999A | AMT | 5/1/1999 | 5/20/1999 | \$44,535,000.00 | \$32,155,000.00 | \$32,155,000.00 | \$0.00 |
| MHRBIII 2000A | AMT | 7/12/2000 | 7/12/2000 | \$91,000,000.00 | \$78,480,000.00 | \$0.00 | \$78,480,000.00 |
| MHRBIII 2000B | Non-Amt | 7/12/2000 | 7/12/2000 | \$9,200,000.00 | \$6,340,000.00 | \$0.00 | \$6,340,000.00 |
| MHRBIII 2000C | AMT | 11/16/2000 | 11/16/2000 | \$63,300,000.00 | \$50,400,000.00 | \$0.00 | \$50,400,000.00 |
| MHRBIII 2000D | Non-Amt | 11/16/2000 | 11/16/2000 | \$19,520,000.00 | \$14,625,000.00 | \$0.00 | \$14,625,000.00 |
| MHRBIII 2001C | Taxable | 2/22/2001 | 2/22/2001 | \$23,590,000.00 | \$12,960,000.00 | \$0.00 | \$12,960,000.00 |
| MHRBIII 2001D | Non-Amt | 6/28/2001 | 6/28/2001 | \$6,070,000.00 | \$3,950,000.00 | \$0.00 | \$3,950,000.00 |
| MHRBIII 2001E | AMT | 6/28/2001 | 6/28/2001 | \$78,735,000.00 | \$48,360,000.00 | \$0.00 | \$48,360,000.00 |
| MHRBIII 2001F | Non-Amt | 11/15/2001 | 11/15/2001 | \$19,040,000.00 | \$15,105,000.00 | \$0.00 | \$15,105,000.00 |
| MHRBIII 2001G | AMT | 11/15/2001 | 11/15/2001 | \$73,975,000.00 | \$52,775,000.00 | \$0.00 | \$52,775,000.00 |
| MHRBIII 2001H | Taxable | 11/15/2001 | 11/15/2001 | \$15,595,000.00 | \$14,715,000.00 | \$0.00 | \$14,715,000.00 |
| MHRBIII 2002A | AMT | 6/5/2002 | 6/5/2002 | \$48,350,000.00 | \$24,435,000.00 | \$0.00 | \$24,435,000.00 |
| MHRBIII 2002B | Non-Amt | 9/10/2002 | 9/10/2002 | \$33,520,000.00 | \$25,080,000.00 | \$0.00 | \$25,080,000.00 |
| MHRBIII 2002C | AMT | 9/10/2002 | 9/10/2002 | \$38,255,000.00 | \$29,920,000.00 | \$0.00 | \$29,920,000.00 |
| MHRBIII 2002D | Non-Amt | 12/18/2002 | 12/18/2002 | \$12,760,000.00 | \$11,645,000.00 | \$0.00 | \$11,645,000.00 |
| MHRBIII 2002E | AMT | 12/18/2002 | 12/18/2002 | \$71,305,000.00 | \$55,025,000.00 | \$0.00 | \$55,025,000.00 |
| MHRBIII 2003C | AMT | 12/10/2003 | 12/10/2003 | \$97,295,000.00 | \$45,835,000.00 | \$0.00 | \$45,835,000.00 |
| MHRBIII 2004A | Non-Amt | 6/24/2004 | 6/24/2004 | \$23,500,000.00 | \$20,420,000.00 | \$0.00 | \$20,420,000.00 |
| MHRBIII 2004B | AMT | 6/24/2004 | 6/24/2004 | \$99,510,000.00 | \$42,325,000.00 | \$0.00 | \$42,325,000.00 |
| MHRBIII 2004C | Non-Amt | 11/17/2004 | 11/17/2004 | \$13,940,000.00 | \$12,460,000.00 | \$0.00 | \$12,460,000.00 |
| MHRBIII 2004D | AMT | 11/17/2004 | 11/17/2004 | \$138,475,000.00 | \$50,300,000.00 | \$0.00 | \$50,300,000.00 |
| MHRBIII 2005A | Non-Amt | 6/15/2005 | 6/15/2005 | \$2,480,000.00 | \$2,320,000.00 | \$0.00 | \$2,320,000.00 |
| MHRBIII 2005B | AMT | 6/15/2005 | 6/15/2005 | \$91,925,000.00 | \$31,620,000.00 | \$0.00 | \$31,620,000.00 |
| MHRBIII 2005C | Non-Amt | 11/3/2005 | 11/3/2005 | \$9,025,000.00 | \$8,545,000.00 | \$8,545,000.00 | \$0.00 |
| MHRBIII 2005D | AMT | 11/3/2005 | 11/3/2005 | \$91,225,000.00 | \$31,460,000.00 | \$0.00 | \$31,460,000.00 |
| MHRBIII 2005E | AMT | 11/3/2005 | 11/3/2005 | \$22,935,000.00 | \$21,585,000.00 | \$21,585,000.00 | \$0.00 |
| MHRBIII 2006A | AMT | 6/15/2006 | 6/15/2006 | \$76,915,000.00 | \$21,295,000.00 | \$0.00 | \$21,295,000.00 |
| MHRBIII 2007A | AMT | 3/21/2007 | 3/21/2007 | \$12,165,000.00 | \$6,015,000.00 | \$6,015,000.00 | \$0.00 |
| MHRBIII 2007B | AMT | 7/12/2007 | 7/12/2007 | \$16,630,000.00 | \$13,585,000.00 | \$0.00 | \$13,585,000.00 |
| MHRBIII 2007C | AMT | 10/18/2007 | 10/18/2007 | \$27,970,000.00 | \$21,315,000.00 | \$0.00 | \$21,315,000.00 |
| MHRBIII 2008A | Non-Amt | 4/24/2008 | 4/24/2008 | \$11,370,000.00 | \$9,150,000.00 | \$0.00 | \$9,150,000.00 |
| MHRBIII 2008B | AMT | 4/24/2008 | 4/24/2008 | \$104,890,000.00 | \$84,190,000.00 | \$0.00 | \$84,190,000.00 |
| MHRBIII 2008C | AMT | 4/24/2008 | 4/24/2008 | \$33,390,000.00 | \$32,455,000.00 | \$0.00 | \$32,455,000.00 |
| MHRBIII TOTALS | | | | | \$1,098,820,000.00 | \$236,275,000.00 | \$862,545,000.00 |
| Multifamily Loan Purchase Bonds | | | | | | | |
| Multifamily | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| MLPB 2000A | Taxable | 7/26/2000 | 7/26/2000 | \$269,023,710.88 | \$51,856,745.47 | \$0.00 | \$51,856,745.47 |
| MLPB TOTALS | | | | | \$51,856,745.47 | \$0.00 | \$51,856,745.00 |

**CALIFORNIA HOUSING FINANCE AGENCY
OUTSTANDING INDEBTEDNESS**

The following table describes the bonds of the Agency issued and outstanding as of 1/1/2010

| Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project) 2009 Issue A | | | | | | | |
|--|------------|--------------|---------------|------------------|----------------------|---|---|
| Multifamily | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| VRDLOMHRB 2009A | Non-Amt | 4/17/2009 | 4/17/2009 | \$4,620,000.00 | \$4,620,000.00 | \$0.00 | \$4,620,000.00 |
| VRDLOMHRB 2009A TOTALS | | | | | \$4,620,000.00 | \$0.00 | \$4,620,000.00 |
| Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project) 2009 Issue B | | | | | | | |
| Multifamily | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| VRDLOMHRB 2009B | Non-Amt | 4/17/2009 | 4/17/2009 | \$6,325,000.00 | \$6,325,000.00 | \$0.00 | \$6,325,000.00 |
| VRDLOMHRB 2009B TOTALS | | | | | \$6,325,000.00 | \$0.00 | \$6,325,000.00 |
| Housing Program Bonds | | | | | | | |
| Both Single And Multi Family | | | | | | | |
| Bond Series | Tax Status | Dated Date * | Delivery Date | Bonds Issued *** | Bonds Outstanding ** | \$ Amount of Fixed-Rate Bonds Outstanding | \$ Amount of Variable Rate Bonds Outstanding |
| HPB 2004A | AMT | 11/4/2004 | 11/4/2004 | \$50,000,000.00 | \$28,000,000.00 | \$0.00 | \$28,000,000.00 |
| HPB 2006A | AMT | 5/2/2006 | 5/2/2006 | \$47,090,000.00 | \$47,090,000.00 | \$47,090,000.00 | \$0.00 |
| HPB 2006B | Taxable | 5/2/2006 | 5/2/2006 | \$61,110,000.00 | \$60,335,000.00 | \$0.00 | \$60,335,000.00 |
| HPB TOTALS | | | | | \$135,425,000.00 | \$47,090,000.00 | \$88,335,000.00 |
| REPORT TOTALS | | | | | \$7,939,701,494.86 | \$3,023,094,749.00 | \$4,916,606,745.00 |

* Certain series of bonds include non-current interest bonds, tender option bonds and certain other bonds which are dated the date of delivery of such series of bonds.

** Includes increase in accreted value of non-current interest bonds and discounted bonds.

*** Does not include those bonds that were issued but have been fully redeemed.

APPENDIX C

**FINANCIAL STATEMENTS OF THE AGENCY FOR THE YEARS
ENDED JUNE 30, 2009 AND 2008**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Housing Finance Agency
Sacramento, California

We have audited the accompanying combined balance sheets of the California Housing Finance Fund ("Fund"), which is administered by the California Housing Finance Agency ("Agency"), a component unit of the State of California, as of June 30, 2009 and 2008, and the related combined statements of revenue, expenses and changes in fund equity, and of cash flows for the years then ended. The accompanying combined financial statements of the Fund are not intended to present the financial position or the results of the operations of the Agency. These combined financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Fund, as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the combined financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining program information as of and for the year ended June 30, 2009 on pages 42 through 59 is presented for the purpose of additional analysis and is not a required part of the combined 2009 financial statements of the Fund. The supplemental combining program information is the responsibility of the Agency's management. Such information has been subjected to the auditing procedures applied in our audits of the combined 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic combined 2009 financial statements taken as a whole.

Deloitte + Touche LLP

October 28, 2009

CALIFORNIA HOUSING FINANCE FUND
Management Discussion and Analysis
of Financial Position and Results of Operations
As of and for the fiscal years ended June 2009 and 2008

Introduction – The California Housing Finance Agency

The California Housing Finance Agency (“Agency”) was created in 1975 by an act of the California Legislature and commenced operations in 1976. The Agency is a component unit of the State of California (“State”) and is included in the State’s Comprehensive Annual Financial Report. The Agency is authorized to administer the activities of the California Housing Finance Fund (“Fund”), the California Housing Loan Insurance Fund (“Mortgage Insurance Fund”) and two state general obligation bond funds. The following Management Discussion and Analysis applies only to the activities of the California Housing Finance Fund and should be read in conjunction with the Fund’s combined financial statements and the notes to the combined financial statements. Operations of the Fund include the issuance of Agency bonds and notes to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency is entirely self-funded and does not draw upon the general taxing authority of the State.

The combined financial statements present the totals of the Fund. The supplemental combining information of the Fund is organized by the following major categories: Homeownership Programs, Multifamily Rental Housing Programs, and Other Programs and Accounts. This information and information for specific programs and accounts is reported after the Notes to the combined financial statements.

The Homeownership Programs provide low cost mortgage capital to a network of approved lenders from whom the Agency purchases previously funded and closed loans secured by single family homes purchased by individual borrowers. The Multifamily Rental Housing Programs are typically used to directly fund loans to developers and housing sponsors for the construction or acquisition of multifamily rental housing developments. Interest rates on Agency loans are generally below market rate; however, the programs are operated to be self-supporting. The Agency issues its own bonds and uses other available monies to provide the funding for these loan programs. Interest paid to bondholders is generally exempt from both state and federal tax; however, the Agency also issues federally-taxable bonds.

The Other Programs and Accounts category includes the Agency’s Housing Assistance Trust, funded periodically from a portion of the Fund’s operating income before transfers. The Housing Assistance Trust provides a source of funding for low or very low income multifamily developments and other special purpose loans. Loans for these purposes generally would not produce sufficient revenues to support payments to bondholders. These loans typically accrue simple interest with repayment of principal and interest deferred for the term of the loan or until certain events occur, such as a sale of the property. Also included in this category are certain State-funded programs, which the Agency has been asked to administer for the State on a contract basis. Operating expenses of the Agency’s loan and bond programs are paid from an Operating Account that is replenished from the Fund’s operating income before transfers. Other accounts maintained by the Agency provide security for the issuance of bonds, emergency contingencies, loan servicing operations and loan warehousing activities.

Summary of Financial Results 2009– 2008

- Operating loss before transfers was \$146.1 million for fiscal year 2009 compared to an operating gain of \$9.8 million for fiscal year 2008. The decrease is mostly due to the decline of the California real estate market, basis mismatch on variable rate bonds and the charges against income for the market value adjustment of unmatched swaps, early termination of interest rate swaps, gap claim payments and anticipated losses of the loan portfolio. The continued rise in loan delinquencies, increases in foreclosures and additional home price depreciation in California have contributed directly to increases in allowances for loans losses and gap reserves. In 2009, the allowance for loan loss reserve was increased by a net of \$31.5 million to \$112.5 million. There were \$4.1 million of losses which were recorded in 2009 on the sale of foreclosed properties (net of insurance payment). The remaining foreclosed properties were written down by \$15.1 million to reflect anticipated losses, net of insurance payment, upon sale of the foreclosed properties. In addition, the Agency maintains its Emergency Reserve Account at approximately one percent of the net program loans receivable and has established a gap insurance loss reserve in the amount of \$80.1 million. The Fund established this reserve to cover anticipated indemnification payments to the California Housing Loan Insurance Fund for loans subject to “gap” insurance. The indemnification payments are for losses up to 50% of the outstanding principal balance of each loan for which either the primary mortgage insurance covers less than 50% of loan principal or primary mortgage insurance may not be required because the loan-to-value ratio was below 80% at origination or the borrower demonstrated equity of 20% or more in the property. The gap insurance loss reserves and gap claim payments are charged to the Supplementary Bond Security Account, an account that is part of the Agency’s general obligation capital base, not the Home Mortgage Revenue Bonds “HMRB” Indenture.
- Home mortgage delinquencies have been increasing nationally, especially for borrowers who took out subprime mortgages. Although the Agency does not make subprime loans, the overall delinquency ratio of the Agency’s single family loan portfolio (Federal Guaranty: 47.2% and Conventional: 52.8%) was 14% as of June 30, 2009. By comparison, the delinquency ratio for the Agency’s single family portfolio was 7% as of June 30, 2008.

- In addition to losses attributable to the California real estate market, the Agency incurred losses due to basis mismatch, which is the difference between actual interest rates paid to bondholders on floating rate securities (variable rate demand obligations and auction rate securities) and the variable rates received from swap counterparties on interest rate swaps that hedge the Agency's variable rate exposure. The mismatch is a result of higher interest rate resets on variable rate bonds, including rates resulting from failed auctions and rates paid to liquidity banks when bondholders put their variable rate demand obligations to the remarketing agents and other investors are unwilling to purchase the securities. In addition, a dysfunctional municipal bond market resulted in an unusually high Securities Industry and Financial Markets Association "SIFMA"/London Interbank Offered Rate "LIBOR" ratio and interest rate compression has continued this relationship. The basis mismatch for the period from July 1, 2008 to June 30, 2009 was \$37.9 million and is reflected in the income statements for Multifamily Rental Housing Programs and Other Programs and Accounts. By comparison, the basis mismatch for the period from July 1, 2007 to June 30, 2008 was \$11.9 million.
- In response to Lehman Brothers' bankruptcy filing, the Agency terminated all \$482.7 million of swap notional with Lehman Brothers and paid Lehman Brothers \$42.6 million to terminate the swaps. At the same time, the Agency elected to replace some of the Lehman Brothers swap contracts with counterparties that are more highly rated. The Agency received payments of \$28.9 million from the replacement counterparties. The net effect of the termination event resulting from the Lehman Brothers' bankruptcy was an operating loss of \$13.7 million. In addition, GAAP requires the Agency to record the current market value of the unmatched portion or overhedged interest rate swap position as an adjustment to other expenses or other revenues, on the income statement. The swap expense (net current market value) for these overhedged positions as of June 30, 2009 was \$9.4 million.
- The Agency had \$496.4 million in new loans receivable during fiscal year 2009. Overall, program loans receivable decreased \$113.5 million to \$8.32 billion at fiscal year end. Decreases in programs loans receivable for the homeownership loan portfolio were the result of the decline of the California real estate market and declining economic conditions.
- During fiscal year 2009, the Agency issued \$310.9 million of bonds. All but \$10.9 million was issued as fixed rate debt and the \$10.9 million of variable rate debt issued was synthetically swapped to fixed.
- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio, redeeming, and in some cases refunding, \$564.7 million of bond indebtedness during fiscal year 2009.
- During fiscal year 2009, \$448.4 million was transferred into the Fund by the State pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.
- In July 2009, Moody's Investors Services downgraded the Agency's Home Mortgage Revenue Bonds "HMRB" from Aa2 to Aa3 with a negative outlook. The downgrade reflects the decline in the performance of the Agency's single family loan portfolio in the California real estate market, reduced credit quality of private mortgage insurance and ongoing risks related to the HMRB variable rate debt.
- In July 2009, Moody's Investors Services downgraded the Agency's issuer rating from Aa3 to A1 with a negative outlook. The downgrade is based upon the potential effects of increasing delinquencies and foreclosures in the Agency's single family mortgage portfolio, ongoing risks related the Agency's variable rate debt and uncertainty about future business activity given the status of tax exempt housing bond markets.

Condensed Financial Information:

Combined Balance Sheet

The following table presents condensed combined balance sheets for the Fund as of June 30, 2009 and 2008 and the change from the prior year (dollars in millions):

Condensed Combined Balance Sheets

| | <u>2009</u> | <u>2008</u> | <u>Change</u> |
|-----------------------------------|-----------------|-----------------|---------------|
| Assets | | | |
| Cash and investments | \$2,236 | \$2,278 | (42) |
| Program loans receivable-net | 8,321 | 8,434 | (113) |
| Other | 204 | 156 | 48 |
| Total Assets | <u>\$10,761</u> | <u>\$10,868</u> | <u>(107)</u> |
| Liabilities | | | |
| Bonds payable – net | \$8,244 | \$8,618 | (374) |
| Other | 770 | 805 | (35) |
| Total Liabilities | <u>\$9,014</u> | <u>\$9,423</u> | <u>(409)</u> |
| Fund Equity | | | |
| Invested in capital assets | \$1 | \$1 | |
| Restricted equity | 1,746 | 1,444 | 302 |
| Total Fund Equity | <u>\$1,747</u> | <u>\$1,445</u> | <u>302</u> |
| Total Liabilities and Fund Equity | <u>\$10,761</u> | <u>\$10,868</u> | <u>(107)</u> |

Assets

Of the Fund's assets, 98.1% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding less than \$0.7 million in furniture and equipment.

Total assets decreased by \$107.4 million during fiscal year 2009. The Fund's cash and investments were \$2.24 billion as of June 30, 2009, a decrease of \$42.1 million from June 30, 2008. The cash and investments balance remained relatively the same due to the decrease in bond activity during the fiscal year.

Of the Fund's assets, 20.8% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 11.4% is in investment agreements. Consistent with the Agency's investment policy, bond proceeds are normally invested in investment agreements with highly rated providers of such instruments because the agreements provide a low level of counterparty risk, a fixed rate of return and complete liquidity. The amount of funds invested in investment agreements during the 2009 fiscal year decreased by \$251.0 million. In addition, over \$1.64 billion of the Fund's investments are held in the State's Surplus Money Investment Fund "SMIF" and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2009 increased by \$228.7 million.

The composition of cash and investments as of June 30, 2009 and 2008 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

| | <u>2009</u> | <u>2008</u> | <u>Change</u> |
|----------------------------|----------------|----------------|---------------|
| Investment agreements | \$234 | \$485 | (251) |
| SMIF | 1,638 | 1,409 | 229 |
| Securities | 245 | 219 | 26 |
| Cash | 119 | 165 | (46) |
| Total Cash and Investments | <u>\$2,236</u> | <u>\$2,278</u> | <u>(42)</u> |

Program loans receivable decreased by \$113.5 million or 1.4% during fiscal year 2009 compared to fiscal year 2008. This decrease is due primarily to the decrease in the number of new loans for the homeownership loan portfolio. Within the Fund, the Agency had \$496.4 million of new loans during the fiscal year compared to almost \$1.43 billion in the previous year. Of the new loans during the fiscal year, \$379.6 million were single family first mortgages. Fewer borrowers refinanced their Agency loans resulting in a 5.0% decrease in loan prepayments to \$176.4 million during fiscal year 2009 compared to \$185.6 million received

in fiscal year 2008. The Agency does not offer home refinance opportunities to its borrowers as the homeownership loan programs are restricted to first time homebuyers.

Liabilities

The Fund's liabilities were \$9.01 billion as of June 30, 2009, a decrease of \$409.8 million from June 30, 2008. Of the Fund's liabilities, over 91.5% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2009 decreased by \$373.3 million from the prior year as the \$310.9 million in new issuances in 2009 were offset by scheduled principal payments and \$564.7 million in bond redemptions. The Agency's governing statutes impose a cap of \$13.15 billion for bonds and notes issued and outstanding within the Fund.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of \$310.9 million of Agency bonds during fiscal year 2009, a decrease from the \$1.86 billion issued during fiscal year 2008. Of the bonds issued during fiscal year 2009, all but \$10.9 million were issued as fixed interest rate bonds, and the \$10.9 million of variable rate debt issued was swapped to provide synthetically fixed interest rates. As of June 30, 2009, the estimated "net" variable interest rate exposure of the Fund's total bond indebtedness was \$938 million. The estimated "net" variable interest rate exposure excludes all variable interest rate bonds swapped to fixed interest rates or directly backed by complementary variable interest rate assets. This "net" variable interest rate exposure provides an internal hedge against today's low interest rate environment evidenced by low short-term investment rates and increased loan prepayments. Interest costs on variable interest rate bonds that are swapped to a fixed interest rate have generally provided a lower total interest cost to the Fund than interest costs of traditional fixed interest rate products.

The Agency issues both tax-exempt and federally taxable bonds. During the 2009 fiscal year, federally taxable bonds decreased by \$216.1 million and as of June 30, 2009 represent 19.9% of all bonds outstanding, while tax-exempt bonds decreased by \$157.2 million and as of June 30, 2009 represent 80.1% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2009, the Agency did not issue taxable bonds.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2009 and 2008 and the changes from the prior year (dollars in millions):

| | Bonds Payable | | |
|-------------------------------|----------------------|--------------------|----------------------|
| | <u>2009</u> | <u>2008</u> | <u>Change</u> |
| Tax-Exempt Bonds | | | |
| *Variable Rate | \$3,887 | \$4,321 | (434) |
| Fixed Rate | 2,686 | 2,409 | 277 |
| Total Tax-Exempt Bonds | <u>\$6,573</u> | <u>\$6,730</u> | <u>(157)</u> |
| Federally Taxable Bonds | | | |
| *Variable Rate | \$1,167 | \$1,280 | (113) |
| Fixed Rate | 469 | 572 | (103) |
| Total Federally Taxable Bonds | <u>\$1,636</u> | <u>\$1,852</u> | <u>(216)</u> |
| * * Total Bonds Outstanding | <u>\$8,209</u> | <u>\$8,582</u> | <u>(373)</u> |

* Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Combined Financial Statements).

* * The HUD debenture is not included (see Note 7 to the Combined Financial Statements).

Other liabilities decreased by \$35.8 million during fiscal year 2009. This decrease is due primarily to the decrease in the line of credit for the purchase of loans offset by the increase in gap insurance loss reserves.

Equity

All of the Fund's equity is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total equity of the Fund grew by \$302.3 million primarily as a result of transfers to the Fund in the

amount of \$448.4 million pursuant to the Mental Health Services Act of 2004 and Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 and was offset by operating losses of the Fund in the amount of \$146.1 million.

Revenues, Expenses, and Changes in Fund Equity

The following table presents condensed combined statements of revenues, expenses, and changes in fund equity for the Fund for the fiscal years ended June 30, 2009 and June 30, 2008 and the changes from the prior year (dollars in millions):

Condensed Combined Statements of Revenues, Expenses, and Changes in Fund Equity

| | <u>2009</u> | <u>2008</u> | <u>Change</u> |
|---------------------------------------|--------------|--------------|---------------|
| Operating Revenues: | | | |
| Interest income program loans – net | \$450 | \$400 | \$50 |
| Interest income investments – net | 66 | 91 | (25) |
| Increase in fair value of investments | 11 | (4) | 15 |
| Other loan and commitment fees | 16 | 16 | 0 |
| Other revenues | 107 | 78 | 29 |
| Total Operating Revenues | <u>\$650</u> | <u>\$581</u> | <u>\$69</u> |
| Operating Expenses: | | | |
| Interest | 427 | 392 | 35 |
| Mortgage servicing fees | 20 | 19 | 1 |
| Operating expenses | 40 | 39 | 1 |
| Other expenses | 309 | 121 | 188 |
| Total Operating Expenses | <u>\$796</u> | <u>\$571</u> | <u>\$225</u> |
| Operating Income before transfers | <u>(146)</u> | <u>10</u> | <u>(156)</u> |

Operating Revenues

Total operating revenues of the Fund were \$650.1 million during fiscal year 2009 compared to \$581.1 million during fiscal year 2008, an increase of \$69.1 million or 11.9%.

Interest income on program loans was \$449.5 million during fiscal year 2009 compared to \$399.9 million during fiscal year 2008, an increase of \$49.6 million. The increase in interest income on program loans is primarily a result of a decrease in the yield reduction liability for the Fund's homeownership and multifamily loan portfolios which is offset against the interest income on program loans. Overall, program loans receivable decreased \$113.5 million or 1.4% at June 30, 2009 compared to June 30, 2008.

Interest income from investments decreased 26.9% to \$66.3 million in fiscal year 2009 from \$90.7 million in fiscal year 2008. This decrease is due primarily to declining interest rates and redirecting funds from investment agreements to SMIF.

Other loan and commitment fees remained the same at \$16.3 million for fiscal year 2009 when compared to fiscal year 2008.

Other revenues increased by \$28.3 million to \$106.9 million during fiscal year 2009 compared to \$78.6 million in fiscal year 2008, primarily due to the gain on termination of interest rate swaps in November 2008.

Operating Expenses

Total operating expenses of the Fund were \$796.2 million during fiscal year 2009 compared to \$571.3 million during fiscal year 2008, an increase of \$224.9 million or 39.4%. The increase is primarily due to the increase in gap insurance loss reserve expenses, gap claim payments expense, loan write-off expenses, foreclosed properties expenses, swap expense (fair value), and swap termination expenses.

Bonds payable at June 30, 2009 decreased by \$374.0 million from June 30, 2008 and bond interest and swap expense, which represents 53.7% of the Fund's total operating expenses, increased by \$34.7 million or 8.8% compared to fiscal year 2008. The increase in bond interest and swap expense is attributed to the overall drop in interest rates requiring higher swap payments to our counterparties.

Operating expenses increased from \$38.9 million during fiscal year 2008 to \$39.7 million during fiscal year 2009 (as shown in the condensed combined statements of revenues, expenses and changes in fund equity), resulting from slight increases in staff salary expenses and expenses to support our Agency programs.

Operating Income before Transfers

The overall operating results of the Fund for fiscal year 2009 are reflective of the activity in the operating revenues and expenses discussed above. Operating loss before transfers for fiscal year 2009 was \$146.1 million compared to an operating gain of \$9.8 million for fiscal year 2008. The \$155.8 million decrease in operating income before transfers is primarily due to increase in bond and swap related expenses, provision for estimated loan losses, gap insurance loss reserve expenses, and gap claim payment expenses.

Summary of Financial Results 2008– 2007

- Operating income before transfers was \$10 million for fiscal year 2008 compared to \$85 million for fiscal year 2007. The decrease is mostly due to 2007 \$27 million gain on sale of multifamily REO's, a \$27 million increase in bond interest and swap expenses in 2008 and a decrease of \$32 million in 2008 from investment income.
- The Agency originated \$1.4 billion in new loans receivable during fiscal year 2008. Overall, program loans receivable increased \$925 million to \$8.4 billion at fiscal year end. Increases in loans receivables were the result of growth in the homeownership loan portfolio.
- Home mortgage delinquencies have been surging nationally, especially for borrowers who took out subprime mortgages. Although the Agency does not make subprime loans, the Agency continues to review its loan loss reserves. In 2008 the reserve was increased by a net of \$5.4 million to \$80.9 million. In addition, the Agency maintains its Emergency Reserve Account at approximately one percent of the net program loans receivable.
- During fiscal year 2008, \$42 million was transferred into the Fund by the State pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. The funds were used to make loans and grants to borrowers and homeowners through programs administered by the Agency on a contract basis.
- During fiscal year 2008, the Agency issued \$1.9 billion of notes and bonds. All but \$828 million was issued as fixed rate debt and \$633 million of variable rate debt was synthetically swapped to fixed.
- The Agency continued to actively manage the Fund's interest expense and exposures within the debt portfolio, redeeming, and in some cases refunding, \$734 million of bond indebtedness during fiscal year 2008.

Condensed Financial Information:

Combined Balance Sheet

The following table presents condensed combined balance sheets for the Fund as of June 30, 2008 and 2007 and the change from the prior year (dollars in millions):

Condensed Combined Balance Sheets

| | <u>2008</u> | <u>2007</u> | <u>Change</u> |
|-----------------------------------|-----------------|----------------|----------------|
| Assets | | | |
| Cash and investments | \$2,278 | \$2,068 | \$210 |
| Program loans receivable-net | 8,434 | 7,509 | 925 |
| Other | 156 | 125 | 31 |
| Total Assets | <u>\$10,868</u> | <u>\$9,702</u> | <u>\$1,166</u> |
| Liabilities | | | |
| Bonds payable – net | \$8,618 | \$7,579 | \$1,039 |
| Other | 805 | 730 | 75 |
| Total Liabilities | <u>\$9,423</u> | <u>\$8,309</u> | <u>\$1,114</u> |
| Fund Equity | | | |
| Invested in capital assets | 1 | 1 | |
| Restricted equity | 1,444 | 1,392 | 52 |
| Total Fund Equity | <u>1,445</u> | <u>1,393</u> | <u>52</u> |
| Total Liabilities and Fund Equity | <u>\$10,868</u> | <u>\$9,702</u> | <u>\$1,166</u> |

Assets

Of the Fund's assets, 99% is represented by cash and investments and program loans receivable. The Fund does not have a significant investment in capital assets, holding less than \$1 million in furniture and equipment.

Total assets increased by \$1.2 billion during fiscal year 2008. The Fund's cash and investments were \$2.3 billion as of June 30, 2008, an increase of \$210 million from June 30, 2007. The 10% increase in cash and investments is related to the increase in bond and investment activity during the fiscal year.

Of the Fund's assets, 21% is in the form of cash and investments at fiscal year end. Of the Fund's investment balance, 21% is in investment agreements. Consistent with the Agency's investment policy, bond proceeds are normally invested in investment agreements with highly rated providers of such instruments because the agreements provide a low level of counterparty risk, a fixed rate of return and complete liquidity. The amount of funds invested in investment agreements during the 2008 fiscal year decreased by \$325 million, due primarily to the investment in homeownership loans. In addition, over \$1.4 billion of the Fund's investments are held in the State's Surplus Money Investment Fund ("SMIF") and earn a variable rate of interest. The amount of funds invested in SMIF during fiscal year 2008 increased by \$315 million.

The composition of cash and investments as of June 30, 2008 and 2007 and the changes from the prior year are shown in the table below (dollars in millions):

Cash and Investments

| | <u>2008</u> | <u>2007</u> | <u>Change</u> |
|-------------------------------|----------------|----------------|---------------|
| Investment agreements | \$485 | \$810 | (\$325) |
| SMIF | 1,409 | 1,094 | 315 |
| Securities & Commercial paper | 219 | 115 | 104 |
| Cash | 165 | 49 | 116 |
| Total | <u>\$2,278</u> | <u>\$2,068</u> | <u>\$210</u> |

Program loans receivable increased by \$925 million or 12% during fiscal year 2008 compared to fiscal year 2007. This increase is due primarily to the increase in the homeownership loan portfolio. Within the Fund, the Agency originated almost \$1.4 billion in new loans of which over \$1.2 billion were single family first mortgages. Fewer borrowers refinanced their Agency loans resulting in a 55% decrease in loan prepayments to \$185 million during fiscal year 2008 compared to \$414 million received in fiscal year 2007. The Agency does not offer home refinance opportunities to its borrowers as the homeownership loan programs are restricted to first time homebuyers.

Liabilities

The Fund's liabilities were \$9.4 billion as of June 30, 2008, an increase of \$1.1 billion from June 30, 2007. Of the Fund's liabilities, over 91% is in the form of bond indebtedness. The Fund's bonds payable at June 30, 2008 increased by \$1 billion from the prior year as the \$1.9 billion in new issuances in 2008 were offset by scheduled principal payments and \$734 million in bond redemptions. The Agency's governing statutes impose a cap of \$13.15 billion for bonds and notes issued and outstanding within the Fund.

All of the bonds issued by the Agency are reported within the Fund. The Agency issued a total of \$1.9 billion of Agency bonds during fiscal year 2008, an increase from the \$1.5 billion issued during fiscal year 2007. Of the bonds issued during fiscal year 2008, all but \$828 million were issued as fixed interest rate bonds, and \$633 million of variable rate debt was swapped to provide synthetically fixed interest rates. As of June 30, 2008, the estimated "net" variable interest rate exposure of the Fund's total bond indebtedness was \$806 million. The estimated "net" variable interest rate exposure excludes all variable interest rate bonds swapped to fixed interest rates or directly backed by complementary variable interest rate assets. This "net" variable interest rate exposure provides an internal hedge against today's low interest rate environment evidenced by low short-term investment rates and increased loan prepayments. Interest costs on variable interest rate bonds that are swapped to a fixed interest rate have generally provided a lower total interest cost to the Fund than interest costs of traditional fixed interest rate products.

The Agency issues both tax-exempt and federally taxable bonds. During the 2008 fiscal year, federally taxable bonds increased by \$25 million and as of June 30, 2008 represent 22% of all bonds outstanding, while tax-exempt bonds increased by 18% and as of June 30, 2008 represent 78% of all bonds outstanding. The use of federally taxable bonds allows the Agency to leverage its allocation of the Private Activity Bond volume cap for the Homeownership Programs. This limitation is imposed by the federal government to regulate the issuance of tax-exempt bonds for private purposes. During fiscal year 2008, the Agency issued \$500 million of taxable bonds to further leverage tax-exempt issuance authority.

Shown below are the amounts of variable and fixed rate indebtedness, by tax status, as of June 30, 2008 and 2007 and the changes from the prior year (dollars in millions):

| Bonds Payable | | | |
|-------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2008</u> | <u>2007</u> | <u>Change</u> |
| Tax-Exempt Bonds | | | |
| *Variable Rate | \$4,321 | \$4,163 | \$158 |
| Fixed Rate | 2,409 | 1,559 | 850 |
| Total Tax-Exempt Bonds | <u>\$6,730</u> | <u>\$5,722</u> | <u>\$1,008</u> |
| Federally Taxable Bonds | | | |
| *Variable Rate | \$1,280 | \$1,315 | (\$35) |
| Fixed Rate | 572 | 512 | 60 |
| Total Federally Taxable Bonds | <u>\$1,852</u> | <u>\$1,827</u> | <u>\$25</u> |
| * * Total Bonds Outstanding | <u><u>\$8,582</u></u> | <u><u>\$7,549</u></u> | <u><u>\$1,033</u></u> |

- * Certain variable rate bonds have been swapped to a fixed rate (see Note 7 to the Combined Financial Statements).
- * * The HUD debenture is not included (see Note 7 to the Combined Financial Statements).

Other liabilities increased by \$75 million during fiscal year 2008. This increase is due primarily to the increase in the amounts owed to the IRS for mortgage yield excess liability and to our line of credit for the purchase of loans.

Equity

All of the Fund's equity is restricted pursuant to trust agreements with bondholders and the Agency's enabling legislation or invested in capital assets. Total equity of the Fund grew by \$52 million as a result of operating income of the Fund, in the

amount of \$10 million and transfers to the Fund in the amount of \$42 million pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006.

Revenues, Expenses, and Changes in Fund Equity

The following table presents condensed combined statements of revenues, expenses, and changes in fund equity for the Fund for the fiscal years ended June 30, 2008 and June 30, 2007 and the changes from the prior year (dollars in millions):

Condensed Combined Statements of Revenues, Expenses, and Changes in Fund Equity

| | <u>2008</u> | <u>2007</u> | <u>Change</u> |
|---------------------------------------|--------------|--------------|---------------|
| Operating Revenues: | | | |
| Interest income program loans – net | \$400 | \$375 | \$25 |
| Interest income investments – net | 91 | 122 | (31) |
| Increase in fair value of investments | (4) | (4) | 0 |
| Other loan and commitment fees | 16 | 19 | (3) |
| Other revenues | 78 | 105 | (27) |
| Total Operating Revenues | <u>\$581</u> | <u>\$617</u> | <u>(\$36)</u> |
| Operating Expenses: | | | |
| Interest | 392 | 365 | 27 |
| Mortgage servicing fees | 19 | 17 | 2 |
| Operating expenses | 39 | 32 | 7 |
| Other expenses | 121 | 118 | 3 |
| Total Operating Expenses | <u>\$571</u> | <u>\$532</u> | <u>\$39</u> |
| Operating Income before transfers | <u>\$10</u> | <u>\$85</u> | <u>(\$75)</u> |

Operating Revenues

Total operating revenues of the Fund were \$581 million during fiscal year 2008 compared to \$617 million during fiscal year 2007, a decrease of \$36 million or 6%.

Interest income on program loans was \$400 million during fiscal year 2008 compared to \$375 million during fiscal year 2007, an increase of \$25 million. The increase in interest income on program loans is a result of an increase in the Fund's homeownership loan portfolio. Overall, program loans receivable increased \$925 million or 12% at June 30, 2008 compared to June 30, 2007, due to the growth in the homeownership loan portfolio.

Interest income from investments decreased 25% to \$91 million in fiscal year 2008 from \$122 million in fiscal year 2007. This decrease is due primarily to declining interest rates and redirecting funds from investment agreements to SMIF.

Other loan and commitment fees decreased \$3 million to \$16 million for fiscal year 2008 compared to \$19 million during fiscal year 2007. This was the result of decreased collection of administrative fees, commitment fees, and multifamily prepayment fees.

Other revenues decreased by \$27 million to \$78 million during fiscal year 2008 compared to \$105 million in fiscal year 2007, primarily due to the sale of multifamily REO's in 2007.

Operating Expenses

Total operating expenses of the Fund were \$571 million during fiscal year 2008 compared to \$532 million during fiscal year 2007, an increase of \$39 million or 7%.

Bonds payable at June 30, 2008 increased by over \$1 billion from June 30, 2007 and bond interest and swap expense, which represents 69% of the Fund's total operating expenses, increased by \$27 million or 7% compared to fiscal year 2007. The increase in bond interest and swap expense is attributed to the overall drop in interest rates requiring higher swap payments to our counterparties.

The 22% growth in operating expenses from \$32 million during fiscal year 2007 to \$39 million during fiscal year 2008 (as shown in the condensed combined statements of revenues, expenses and changes in fund equity), resulted from increased staff salary expenses and other expenses to support the growth in Agency programs.

Operating Income before Transfers

The overall operating results of the Fund for fiscal year 2008 are reflective of the activity in the operating revenues and expenses discussed above. Operating income before transfers for fiscal year 2008 was \$10 million compared to \$85 million for fiscal year 2007. The \$75 million decrease in operating income before transfers is primarily due to a comparison with last year's gain on sale multifamily REO's, increase in bond interest and swap expenses and decrease in investment income.

CALIFORNIA HOUSING FINANCE FUND
COMBINED BALANCE SHEETS
June 30, 2009 and June 30, 2008

(Dollars in Thousands)

| | 2009 | 2008 |
|--|----------------------|----------------------|
| | Combined | Combined |
| | <u>Totals</u> | <u>Totals</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 119,128 | \$ 164,773 |
| Investments | 1,875,314 | 1,897,672 |
| Current portion - program loans receivable, net of allowance | 307,512 | 323,751 |
| Interest receivable: | | |
| Program loans, net | 37,095 | 41,182 |
| Investments | 11,791 | 21,612 |
| Accounts receivable | 20,048 | 10,689 |
| Other assets | 651 | 762 |
| Total current assets | <u>2,371,539</u> | <u>2,460,441</u> |
| Noncurrent assets: | | |
| Investments | 241,648 | 215,715 |
| Program loans receivable, net of allowance | 8,013,055 | 8,110,363 |
| Deferred financing costs | 38,343 | 41,058 |
| Other assets | 96,475 | 40,904 |
| Total noncurrent assets | <u>8,389,521</u> | <u>8,408,040</u> |
| Total assets | <u>\$ 10,761,060</u> | <u>\$ 10,868,481</u> |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities: | | |
| Current portion - bonds payable, net | \$ 136,370 | \$ 111,737 |
| Interest payable | 163,574 | 148,813 |
| Due to other government entities, net | 255,219 | 352,607 |
| Compensated absences | 2,317 | 2,475 |
| Deposits and other liabilities | 298,899 | 233,765 |
| Total current liabilities | <u>856,379</u> | <u>849,397</u> |
| Noncurrent liabilities: | | |
| Bonds and debenture notes payable, net | 8,107,250 | 8,505,841 |
| Due to other government entities, net | 19,431 | 34,917 |
| Deferred revenue | 30,532 | 33,222 |
| Total noncurrent liabilities | <u>8,157,213</u> | <u>8,573,980</u> |
| Total liabilities | 9,013,592 | 9,423,377 |
| Commitments and contingencies (see notes 11 and 13) | | |
| Fund equity: | | |
| Invested in capital assets | 806 | 838 |
| Restricted by indenture | 534,440 | 505,370 |
| Restricted by statute | 1,212,222 | 938,896 |
| Total fund equity | <u>1,747,468</u> | <u>1,445,104</u> |
| Total liabilities and fund equity | <u>\$ 10,761,060</u> | <u>\$ 10,868,481</u> |

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
June 30, 2009 and June 30, 2008
(Dollars in Thousands)

| | 2009 | 2008 |
|---|----------------------|----------------------|
| | Combined | Combined |
| | <u>Totals</u> | <u>Totals</u> |
| OPERATING REVENUES | | |
| Interest income: | | |
| Program loans, net | \$ 449,486 | \$ 399,896 |
| Investments, net | 66,314 | 90,689 |
| Increase (decrease) in fair value of investments | 11,033 | (3,746) |
| Loan commitment fees | 2,207 | 1,626 |
| Other loan fees | 14,130 | 13,983 |
| Other revenues | 106,950 | 78,620 |
| Total operating revenues | <u>650,120</u> | <u>581,068</u> |
| OPERATING EXPENSES | | |
| Interest | 427,297 | 392,647 |
| Amortization of bond premium and deferred losses on refundings of debt | (461) | (264) |
| Mortgage servicing expenses | 19,573 | 18,788 |
| Provision for program loan losses | 57,221 | 10,882 |
| Operating expenses | 39,773 | 38,895 |
| Other expenses | 252,786 | 110,346 |
| Total operating expenses | <u>796,189</u> | <u>571,294</u> |
| Operating income/(loss) before transfers | (146,069) | 9,774 |
| Transfers, interfund | 448,433 | 42,417 |
| Increase in fund equity | 302,364 | 52,191 |
| Fund equity at beginning of year | 1,445,104 | 1,392,913 |
| Fund equity at end of year | <u>\$ 1,747,468</u> | <u>\$ 1,445,104</u> |

See notes to combined financial statements.

CALIFORNIA HOUSING FINANCE FUND
COMBINED STATEMENTS OF CASH FLOWS
June 30, 2009 and June 30, 2008

(Dollars in Thousands)

| | 2009 Combined Totals | 2008 Combined Totals |
|---|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | \$ 453,574 | \$ 395,317 |
| Payments to suppliers | (34,031) | (32,370) |
| Payments to employees | (26,523) | (26,166) |
| Other receipts payments | (82,217) | (905,382) |
| Net cash provided by (used for) operating activities | <u>310,803</u> | <u>(568,601)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Due to other government entities | (97,387) | 2,280 |
| Net cash (used for) provided by noncapital financing activities | <u>(97,387)</u> | <u>2,280</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sales of bonds and debenture notes | 310,945 | 1,864,927 |
| Payment of bond principal | (122,819) | (93,870) |
| Early bond redemptions | (564,753) | (734,042) |
| Interest paid on debt | (412,536) | (391,684) |
| Interfund transfers | 448,433 | 42,417 |
| Additions to deferred costs | (1,924) | (7,707) |
| Net cash (used for) provided by capital and related financing activities | <u>(342,654)</u> | <u>680,041</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from maturity and sale of investments | 3,834,619 | 4,780,095 |
| Purchase of investments | (3,827,161) | (4,878,991) |
| Interest on investments, net | 76,135 | 100,505 |
| Net cash provided by investing activities | <u>83,593</u> | <u>1,609</u> |
| Net (decrease) increase in cash and cash equivalents | (45,645) | 115,329 |
| Cash and cash equivalents at beginning of year | 164,773 | 49,444 |
| Cash and cash equivalents at end of year | <u>\$ 119,128</u> | <u>\$ 164,773</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | |
| Operating (loss) income | \$ (146,069) | \$ 9,774 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Interest expense on debt | 427,297 | 392,647 |
| Interest on investments | (66,314) | (90,689) |
| Changes in fair value of investments | (11,033) | 3,746 |
| Accretion of capital appreciation bonds | 3,335 | 3,480 |
| Amortization of bond discount | 62 | 152 |
| Amortization of deferred losses on refundings of debt | 509 | (1,260) |
| Amortization of bond issuance costs | 4,639 | 3,992 |
| Amortization of bond premium | (1,237) | (1,035) |
| Amortization of deferred revenue | (2,207) | (1,625) |
| Depreciation | 201 | 182 |
| Provision for program loan losses | 57,221 | 10,882 |
| Provision for yield reduction payments | (13,540) | 23,926 |
| Provision for nonmortgage investment excess | (1,947) | (13) |
| Changes in certain assets and liabilities: | | |
| Purchase of program loans | (454,826) | (1,425,415) |
| Collection of principal from program loans, net | 455,547 | 453,698 |
| Interest receivable | 4,087 | (4,578) |
| Accounts receivable | (9,359) | 2,986 |
| Due from (to) other funds | - | - |
| Other assets | (56) | (98) |
| Compensated absences | (158) | 252 |
| Deposits and other liabilities | 65,134 | 52,907 |
| Due to other government entities | - | - |
| Deferred revenue | (483) | (2,512) |
| Net cash provided by (used for) operating activities | <u>\$ 310,803</u> | <u>\$ (568,601)</u> |

See notes to combined financial statements.

**CALIFORNIA HOUSING FINANCE FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
Fiscal Years Ended June 30, 2009 and 2008**

Note 1 – AUTHORIZING LEGISLATION AND ORGANIZATION

The California Housing Finance Fund (“Fund”) is one of two continuously appropriated funds administered by the California Housing Finance Agency (“Agency”). The Agency was created by the Zenovich-Moscone-Chacon Housing and Home Finance Act (“Act”), as amended, as a public instrumentality, a political subdivision and a component unit of the State of California (“State”), and administers the activities of the Fund and the California Housing Loan Insurance Fund (“Mortgage Insurance Fund”). These funds allow the Agency to carry out its purpose of financing the housing needs of persons and families of low and moderate income within the State. The Agency is authorized to issue its bonds, notes and other obligations to fund loans to qualified borrowers for single family houses and multifamily developments. The Agency has no taxing power and is exempt from federal income taxes and state franchise taxes. Funding of loan programs on an on-going basis is derived principally from bond proceeds and interest earned on loans and investments.

The Agency may also provide administrative, consulting and technical services in connection with the financing of housing developments; act as a State representative in receiving and allocating federal housing subsidies; and make grants, under certain circumstances, to housing sponsors (providing that grants may not be made with proceeds from the sale of bonds or notes).

The Agency is the administrator of the Home Purchase Assistance Fund, established by Section 51341 of the Health and Safety Code *et seq.* which is a state general obligation bond program, the funds of which are neither generated nor held within the Fund, and therefore, not included in the accompanying combined financial statements.

The accompanying combined financial statements are the combined financial statements of the Fund and do not include the financial position or the results of operations of the Mortgage Insurance Fund which insures loans owned by the Agency and others to finance the acquisition, new construction or rehabilitation of residential structures in California. As of December 31, 2008, the Mortgage Insurance Fund had total assets of \$81,779,111 and equity of \$54,153,303, respectively (not covered by this Independent Auditors’ Report).

As a component unit of the State, the financial information of the Fund is included in the State’s Comprehensive Annual Financial Report.

Programs and accounts are as follows:

Home Mortgage Revenue Bonds: The Home Mortgage Revenue Bonds provide financing for the Agency’s Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the Federal Housing Administration (“FHA”), the Mortgage Insurance Fund, the Department of Veterans Affairs (“VA”), a private mortgage guaranty insurance policy, or a combination thereof, covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Single Family Mortgage Bonds II: The Single Family Mortgage Bonds II, a parity indenture, provide financing for the Agency’s Home Mortgage Program which purchases eligible mortgage loans, secured by trust deeds on newly constructed or existing single family homes, condominiums, planned unit developments and manufactured housing permanently attached to the land and originated and serviced by qualified lending institutions. All mortgage loans purchased under this program will be insured either by the FHA, the Mortgage Insurance Fund, the VA or a private mortgage guaranty insurance policy covering a loss of up to fifty percent (50%), one hundred percent (100%) in the case of a FHA insured loan, of the outstanding principal amount of the mortgage loans.

Draw Down Bonds: The Draw Down Bonds are a low cost means for preserving tax exempt borrowing authority; they were issued in lieu of short term notes. The bonds are unrated and are issued in variable rate form and have monthly or weekly rate resets based on certain indices. The bonds are secured solely by their proceeds which are invested in investment agreements or the SMIF. These investments bear interest rates equal to or slightly in excess of the rates on the bonds.

Housing Program Bonds: The Housing Program Bonds Indenture was created to provide a vehicle for issuing debt to finance either multifamily or single family programs of the Agency. Bonds issued under this indenture are backed by the Agency’s general obligation. As of June 30, 2008, the Agency has three series of bonds issued and outstanding under this indenture. These bonds were issued to finance deferred payment, simple interest loans originated under certain of the Agency’s down payment assistance programs, as well as to finance certain multifamily loans.

Housing Mortgage Bonds: The Housing Mortgage Bonds are issued to enable the Agency to make or purchase Mortgage Loans and Mortgage Backed Securities secured by first liens on newly constructed or existing single family homes in California.

Multifamily Loan Purchase Bonds: On July 26, 2000, the Agency purchased 278 HUD Section 236 loans with an aggregate unpaid principal balance of approximately \$270 million. The purpose of this transaction was to enhance the ability of the Agency to assist affordable housing sponsors to refinance their projects and extend the period during which the units are offered at affordable rents to very-low-income and lower-income tenants. The Agency expects to provide the financing for many of these transactions.

Multifamily Housing Revenue Bonds II: The Multifamily Housing Revenue Bonds II are fixed rate bonds collateralized by the Government National Mortgage Association (“GNMA”) mortgage-backed securities and/or FHA insured loans. The bonds were issued to provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation) and permanent financing for developments.

Multifamily Housing Revenue Bonds III: The Multifamily Housing Revenue Bonds III are fixed or variable rate bonds collateralized by GNMA mortgage-backed securities and/or FHA insured loans and/or uninsured loans. The bonds provide financing for multi-unit rental housing developments which are utilized for occupancy by persons and families of low and moderate income. The loans may provide acquisition, construction (both for new construction and rehabilitation), and permanent financing for developments.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Santa Cruz, California, owned by Mission Gardens Affordable, L.P., a California limited partnership.

Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project): This Bond is issued pursuant and in compliance with the Zenovich Moscone Chacon Housing and Home Finance Act, consisting of Parts 1 through 4 of Division 31 of the California Health and Safety Code, and a resolution of the Issuer. The Bonds are special, limited obligations of the Issuer payable solely from and secured by the Trust Estate pledged therefore pursuant to the Indenture. The Bonds are issued to provide funds to finance a multifamily housing project located in the City of Ramona, California, owned by Montecito Village Affordable, L.P., a California limited partnership.

Housing Assistance Trust: The Housing Assistance Trust (“HAT”) is comprised of Agency investments in special purpose mortgage loans promoting both rental housing and homeownership, remaining investments in mortgage loans from fully redeemed bond indentures, and funds to assist in the development of single and multifamily projects through various low-interest loan and technical assistance programs. Also included within HAT are the debenture note payable related to the claim filed under the FHA Risk Sharing Act discussed in note 7, as well as funds held in trust representing Earned Surplus and Financial Adjustment Factor (“FAF”) Savings from HUD Section 8 projects. Earned Surplus is to be used in lowering the rents for persons and families of low or moderate income in accordance with state law. FAF Savings are to be used in providing decent, safe, and sanitary housing, which is available for very-low income families and persons qualifying in accordance with federal law.

Contract Administration Programs: The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyer’s Down payment Assistance Program, National Foreclosure Mitigation Counseling Program, Mental Health Services Act Housing Program, and programs offered pursuant to the Housing and Emergency Shelter Trust Fund Act of 2002 and 2006. Funding of these programs was appropriated by the legislature or provided by voter authorized State bond programs to other departments and agencies within the State that have contracted with the Agency for this purpose. All monies transferred in accordance with the agreements and for the purposes of the program are considered assets of the Fund. The Fund received transfers in the amount of \$448,432,710 during fiscal year 2009.

Supplementary Bond Security Account: This account was established exclusively to secure issuances of bonds. This security may be accomplished by creating supplementary reserve accounts to provide for payment of the principal, interest, redemption premiums or sinking fund payments on bonds, or by insuring mortgage loans made with the proceeds of bond issues or to indemnify the Mortgage Insurance Fund for losses.

Emergency Reserve Account: This account was established by the Agency to meet its obligations and liabilities incurred in connection with its housing loan programs. This reserve is maintained at approximately one percent (1%) of the aggregate amount of the Agency’s net program loans receivable.

Loan Servicing: The Agency services nearly all multifamily program loans, a small portion of the homeownership program loans in first lien position, all junior or subordinate lien homeownership program loans and certain other loans for the California State Teachers Retirement System. Loan servicing agreements require that the Agency hold and maintain escrow and reserve accounts, on behalf of borrowers, that are reported as “Deposits and other Liabilities”.

Loan Warehousing: The Agency borrowed \$250,000,000 from the State's Pooled Money Investment Account "PMIA" for short-term warehousing of Agency loans. Homeownership loans are typically warehoused as they are purchased from originating lenders and subsequently transferred to individual bond financings on a monthly basis. The borrowing, which is reapplied for and approved in six-month intervals, requires that interest be paid on the loan at a rate equal to the earnings rate on the State's Surplus Money Investment Fund "SMIF" on the date of the new loan. In December 2008, the Pooled Money Investment Board "PMIB" advised that additional draws on PMIA short term credit line were frozen due to the state's strained cash position.

The Agency also has a revolving credit agreement "RCA" with a financial institution to provide a line of credit for short-term borrowings of up to \$100,000,000, which may be increased up to \$150,000,000. Under the terms of the agreement the Agency elects a fixed or variable rate of interest dependent on the expected duration of the draw and determined on the date of the draw as a stated spread to an associated index. The line of credit is available to the Agency until February 28, 2011. The proceeds of this credit facility are to be used for working capital purposes, including warehousing of multifamily program loans or homeownership program loans and making counterparty payments for various financial contracts. At June 30, 2009 draws totaling \$34,133,420 were outstanding. Both PMIA and RCA credit lines are general obligations of the Agency and repayment is secured by the Agency's general reserves.

Operating Account: The Operating Account was established for purposes of depositing funds available to the Agency for payment of operating and administrative expenses of the Agency and financing expenditures not associated with specific bond funds.

Reclassification

Certain reclassifications were made to the 2009 supplemental combining statements of revenue, expenses, and changes in fund equity in Homeownership Programs to reclass swap expenses to Other Programs and Accounts in accordance with the Homeownership bond indentures.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting: The Fund is accounted for as an enterprise fund. Accordingly, the accompanying combined financial statements have been prepared using the accrual method of accounting and on the basis of accounting principles generally accepted in the United States of America (hereinafter referred to as "Generally Accepted Accounting Principles").

Accounting and Reporting Standards: The Agency follows the Standards of Governmental Accounting and Financial Reporting, as promulgated by the Governmental Accounting Standards Board ("GASB"). The Agency has adopted the option under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds Accounting*, which allows the Agency to apply all GASB pronouncements and only Financial Accounting Standards Board ("FASB") pronouncements which date prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates: The preparation of combined financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the gap insurance loss reserve. Based on factors such as reported delinquency categories, claim frequency percentages, severity of loss percentages and level of mortgage insurance coverage, the Agency records the estimated gap insurance losses for the delinquent mortgage loan portfolio. Actual results could differ materially from those estimates.

Cash and Cash Equivalents: The Agency considers cash on hand, cash on deposit with financial institutions and cash held in money market funds to be cash and cash equivalents.

Investments: All investments are reported at fair value as determined by financial services providers or financial publications, except for certain non-participating fixed interest investment contracts which are valued using cost based measures. The net increase (decrease) in the fair value of investments includes both realized and unrealized gains and losses.

Interest Rate Swap Agreements: The Agency enters into interest rate swap agreements with swap counterparties to manage variable interest rate risk exposure resulting from the issuance of variable rate bonds. The interest rate swap agreements provide synthetic fixed rates of interest on the underlying bonds and are accounted for as matched swaps in accordance with settlement accounting. An interest rate swap is considered to be a matched swap if it is linked through designation with an asset or liability that is on the balance sheet, provided that it has the opposite interest characteristics of such balance sheet item. Under settlement accounting, periodic net cash settlements under the swap agreements are treated as an increase or decrease in interest expense of the related bond liability over the lives of the agreements. There is an accounting change in the recording of HMRB hedging activity in year ended June 30, 2009. Swap expenses, swap expenses (fair value), swap termination fees and the gain on termination of swaps previously recorded in Homeownership Programs have been reclassified and are now being recorded in Other Programs and Accounts. This change did not affect the Agency's

total net equity although it has affected the overall presentation of operating results within the financial statement categories. While these swap contracts hedge floating rate bonds issued within the HMRB indenture, hedging expenses are a general obligation of the Agency that is often reimbursed with excess revenue transfers from the HMRB indenture.

Program Loans Receivable, net: Loans receivable are carried at their outstanding principal balances, less an allowance for loan losses.

Allowance for Program Loan Losses: The Agency's policy is to charge expenses for estimated probable losses which are established as an allowance for loan losses. The allowance is an amount that management believes will be adequate to absorb losses inherent in existing loans based on evaluations of collectibility and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, loan concentrations, specific problem loans, delinquencies, and anticipated economic and other conditions that may affect the borrowers' ability to repay the loans. While management uses the best information available to evaluate the adequacy of its allowance, future adjustments to the allowance may be necessary if actual experience differs from the factors used in making the evaluations.

Other Real Estate Owned("REO"): Property acquired by the Agency through foreclosure is recorded at the lower of estimated fair value less estimated selling costs (fair value) or the carrying value of the related loan at the date of foreclosure and is included in "Other Assets" on the accompanying combined financial statements. At the time the property is acquired, if the fair value is less than the loan amounts outstanding, any difference is charged against the allowance for loan losses. After acquisition, valuations are periodically performed and, if the carrying value of the property exceeds the current fair value, a valuation allowance is established by a charge to operations. Subsequent increases in the fair value may reduce or eliminate the allowance. Operating costs on foreclosed real estate are expensed as incurred. Costs incurred for physical improvements to foreclosed real estate are capitalized if the value is recoverable through future sale.

Bonds Payable, net: Bonds Payable and Debenture Notes Payable are carried at their outstanding principal balances, plus unamortized bond premiums, less unamortized bond discounts, unamortized underwriters discounts and deferred losses on refundings.

Bond Premium, Discount and Deferred Financing Costs: Premium, discount and financing costs on bonds are deferred and amortized over the life of the related bond issue using the straight line method of amortization.

Capital Appreciation Bonds: Capital appreciation bonds are payable upon redemption or at maturity in an amount equal to the initial principal amount of such bond plus an amount of interest which, based on semi-annual compounding from the original issuance date, will produce a given yield to the stated maturity. This "Accreted Value" is accrued as bond interest, thereby increasing the original issuance amount of the capital appreciation bond which is not paid until redemption or maturity.

Compensated Absences: Agency employees accrue vacation or annual leave in varying amounts for each monthly period worked. Employees may accumulate leave time, subject to certain limitations, and upon retirement, termination, or death may be compensated for certain accumulated amounts at their then current rates of pay. The Agency records an expense for all accumulated leave that the Agency would be required to pay if all employees terminated their employment.

Deferred Revenue: Deferred revenue represents the receipt of certain loan commitment fees and other fees from lenders and borrowers, which is generally recognized as revenue over the life of the associated loans. Also included in deferred revenue is the cumulative amount by which pass-through revenues exceed expenses and allowable costs of issuance of certain programs.

Fund Equity: Fund equity is classified as invested in capital assets or restricted equity. Invested in capital assets represents investments in office equipment and furniture net of depreciation. Restricted equity represents equity balances under the lien of bond indentures that are therefore pledged to bondholders. State statutes further restrict other net assets of the Fund solely for purposes of the Agency and provide for a continuing appropriation of such assets for the benefit of bondholders.

Extinguishment of Debt: The Agency accounts for gains and losses associated with debt refundings by deferring such gains or losses and recognizing them as revenues or expenses over the shorter of the term of the bonds extinguished or the term of the refunding bonds. Gains or losses associated with debt redemptions and maturing principal, other than refundings, are recognized as income or expense at the date of the extinguishment.

Operating Revenues and Expenses: The Fund's primary operating revenue is derived from the investment of bond proceeds in the loan programs and investment securities. The primary expense is interest expense on bonds outstanding. Net interest income is an important measure of performance for the Fund. "Interest income program loans" and "interest income investments-net" are shown as operating revenues in the statements of Revenue, Expenses and Changes in Fund Equity.

Other Operating Revenues and Expenses: The Agency administers certain Section 8 contracts under the HUD guidelines of New Construction and Substantial Rehabilitation. Included in most contracts is an administrative fee earned by the Agency which totaled \$1,605,564 and \$1,614,728 the years ended June 30, 2009 and 2008, respectively. The Agency also administers National Foreclosure Mitigation Counseling Program (FMC). The HUD/FMC pass-through payments aggregated \$72,832,268 and \$73,532,713 for the years ended June 30, 2009 and 2008, respectively, and are reported as other operating revenues and expenses within Other Programs and Accounts.

Recently Adopted Accounting Standards: In fiscal year 2008-09, the agency adopted new statements issued by the Governmental Accounting Standards Board ("GASB").

Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective April 2, 2009. GASB Statement No. 55 incorporates the hierarchy of generally accepted Accounting principles ("GAAP") for state and local governments into the GASB's authoritative literature. The statement will improve financial reporting by contributing to GASB's efforts to codify all GAAP for state and local governments. The adoption of GASB Statement No. 55 did not have a material impact on the Agency's financial statements or results of operations.

Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, effective April 6, 2009. GASB Statement No. 56 incorporates accounting and financial reporting guidance only contained in the American Institute of Certified Public Accountants ("AICPA") auditing literature for state and local governments. The statement addresses three issues from the AICPA's literature – related party transactions, going concern considerations, and subsequent events. The adoption of GASB Statement No. 56 did not have a material impact on the Agency's financial statements or results of operations.

New Accounting Standards: GASB issued statements for the future reporting periods that will be applicable to the Agency.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for period beginning after June 15, 2009, with earlier application encouraged. The Agency will adopt GASB 53 in fiscal year 2010. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments. The Agency is currently evaluating the impact on the Agency's financial position and result of operations that will result from adopting GASB Statement No. 53.

Note 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The Fund utilizes a cash and investment pool maintained by the State Treasurer's office. Each program and account's portion of this pool is included in investments on the balance sheet. In addition, other types of investments are separately held by most of the programs and accounts.

Cash and Cash Equivalents: At June 30, 2009 and 2008, all cash and cash equivalents, totaling \$119,128,000 and \$164,773,000, respectively, were covered by federal depository insurance or by collateral held by the Agency's agent in the Agency's name.

Investments: Investment of funds is restricted by the Act and the various bond resolutions and indentures of the Agency, generally, to certain types of investment securities, including direct obligations of the U.S. Government and its agencies, the State Treasurer's Pooled Money Investment Account, long term investment agreements which are issued by institutions rated within the top two ratings of a nationally recognized rating service, and other financial instruments. The Fund's investments are categorized to give an indication of the level of risk assumed by the Agency at June 30, 2009. Category 1 includes investments that are insured or registered or for which the securities are held within the Fund by the Agency's agent in the Agency's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency but not in the Agency's name.

In connection with some of the cancellation of insurance on Home Mortgage Revenue Bonds, the Agency is required to post collateral on the swap associated with these bonds. As of June 30, 2009, the total fair market value of investment securities posted as collateral was \$17,326,000.

Investments at June 30, 2009 and 2008 are as follows (dollars in thousands):

| | | Category | Fair Value | Fair Value |
|--|-------------------|-------------------|----------------------|----------------------|
| | 1 | 2 | June 30, 2009 | June 30, 2008 |
| U.S. Treasury Securities | \$ - | | \$ - | \$ 1,291 |
| U.S. Agency Securities --- GNMA's | 6,034 | | 6,034 | 6,670 |
| Federal Agency Securities | 239,659 | | 239,659 | 211,816 |
| Investment Agreements --- Financial Institutions (at cost) | | \$ 144,782 | 144,782 | 285,739 |
| Total | <u>\$ 245,693</u> | <u>\$ 144,782</u> | | |
| Other Investments (not subject to categorization): | | | | |
| Surplus Money Investment Fund --- State of California | | | 1,637,710 | 1,409,058 |
| Other Investment Agreements (at cost) | | | 88,777 | 198,812 |
| Total Investments | | | <u>\$ 2,116,962</u> | <u>\$ 2,113,386</u> |
| Current portion | | | 1,875,314 | 1,897,671 |
| Noncurrent portion | | | 241,648 | 215,715 |
| Total | | | <u>\$ 2,116,962</u> | <u>\$ 2,113,386</u> |

Note 4 – INVESTMENT RISK FACTORS

Investments by type at June 30, consist of the following (dollars in thousands):

| | 2009 Combined Totals | 2008 Combined Totals |
|--|-----------------------------|-----------------------------|
| U.S. Treasury Securities | \$ - | \$ 1,291 |
| U.S. Agency Securities --- GNMA's | 6,034 | 6,670 |
| Federal Agency Securities | 239,659 | 211,816 |
| Investment Agreements --- Financial Institutions (at cost) | 233,559 | 484,551 |
| Surplus Money Investment Fund --- State of California | 1,637,710 | 1,409,058 |
| Total Investments | <u>\$ 2,116,962</u> | <u>\$ 2,113,386</u> |

There are many factors that can affect the value of investments. Some, such as credit risk, custodial credit risk, and concentration of credit risk and interest rate risk, may affect both equity and fixed income securities. Equity and debt securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. It is the investment policy of the Agency to invest substantially all of its funds in fixed income securities, which limits the Agency's exposure to most types of risk.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that a issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at June 30, is as follows (dollars in thousands):

| | 2009 Combined Totals | 2008 Combined Totals |
|--------------------------------|-------------------------------------|-------------------------------------|
| Fixed income securities: | | |
| U.S. government guaranteed | \$ 245,693 | \$ 219,777 |
| Guaranteed interest contracts: | | |
| Rated Aaa/AAA | 55,121 | 99,114 |
| Rated Aaa/AA+ | - | - |
| Rated Aaa/AA- | 954 | 6,754 |
| Rated Aa3/AA | - | 90,228 |
| Rated Aa3/AA- | - | 72,710 |
| Rated Aa3/A+ | 11,012 | 43,528 |
| Rated Aa2/AA+ | 9,717 | - |
| Rated Aa2/AA | - | 3,566 |
| Rated Aa2/AA- | 3,344 | 149,490 |
| Rated Aa2/A+ | 84,126 | - |
| Rated Aa1/AA | - | 4,051 |
| Rated Aa1/AA- | - | 15,109 |
| Rated A3/A | 3,140 | - |
| Rated A1/AA- | 63,294 | - |
| Rated A1/A+ | 2,851 | - |
| Total fixed income securities | <u>\$ 479,252</u> | <u>\$ 704,327</u> |

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. At June 30, 2009, the Agency did not have any investments exposed to custodial credit. All investments are held by the State of California or a pledging financial institutions in the name of the Agency.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the Agency to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as the commingled funds managed by the Agency are not considered subject to concentration of credit risk. At June 30, 2009, no investments in any one issuer exceed 5% of the net assets, except for securities issued by the U.S. government or its agencies.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline due to decreasing interest rates. The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. At June 30, 2009, the Agency does not have any debt investments that are highly sensitive to changes in interest rates.

Effective duration is the approximate change in price of a security resulting from a 100 basis points (1 percentage point) change in the level of interest rates. It is not a measure of time. The effective duration for fixed income securities at June 30, is as follows:

| | <u>2009</u> | <u>2008</u> |
|----------------------------|--------------------|--------------------|
| Fixed income securities: | | |
| U.S. government guaranteed | 11.71 | 11.80 |
| Commercial Paper | N/A | N/A |

Note 5 – PROGRAM LOANS RECEIVABLE

Changes in program loans receivable for the years ended June 30, 2009 and 2008 are as follows (dollars in thousands):

| | 2009 | 2008 |
|--------------------------------|----------------------------|----------------------------|
| | Combined | Combined |
| | <u>Totals</u> | <u>Totals</u> |
| Beginning of the year balance | \$ 8,557,404 | \$ 7,590,381 |
| Loans purchased/funded | 496,376 | 1,426,120 |
| Amortized principal repayments | (319,718) | (268,051) |
| Loan prepayments | (176,350) | (185,647) |
| Chargeoffs | <u>(25,679)</u> | <u>(5,399)</u> |
| Subtotal | 8,532,033 | 8,557,404 |
| Unamortized Mortgage Discount | (3,307) | (2,277) |
| Transfer REO to other assets | (95,669) | (40,065) |
| Allowance for loan losses | <u>(112,491)</u> | <u>(80,948)</u> |
| End of year balance | <u><u>\$ 8,320,566</u></u> | <u><u>\$ 8,434,114</u></u> |
| Current portion | \$ 307,511 | \$ 323,751 |
| Noncurrent portion | <u>8,013,055</u> | <u>8,110,363</u> |
| Total | <u><u>\$ 8,320,566</u></u> | <u><u>\$ 8,434,114</u></u> |

Note 6 – ALLOWANCE FOR PROGRAM LOAN LOSSES

Changes in the allowance for program loan losses for the year ended June 30, 2009 and 2008 are as follows (dollars in thousands):

| | 2009 | 2008 |
|------------------------------------|--------------------------|-------------------------|
| | Combined | Combined |
| | <u>Totals</u> | <u>Totals</u> |
| Beginning of year balance | \$80,948 | \$75,465 |
| Provisions for program loan losses | 57,221 | 10,882 |
| Chargeoffs | <u>(25,678)</u> | <u>(5,399)</u> |
| End of year balance | <u><u>\$ 112,491</u></u> | <u><u>\$ 80,948</u></u> |

Note 7 – BONDS AND DEBENTURE NOTES PAYABLE AND ASSOCIATED INTEREST RATE SWAPS

The Act empowers the Agency, on behalf of the Fund, to issue both federally taxable and tax exempt bonds and notes. Bonds and notes issued by the Agency are not debts of the State but are special and general obligations of the Agency payable solely from and collateralized by the revenues and other assets pledged under the respective indentures. The Act provides the Agency with the authority to have outstanding bonds or notes, at any one time, in the aggregate principal amount of \$13.15 billion excluding refunding issues and certain taxable securities.

The Agency, on behalf of the Fund, as part of its interest rate risk management program, has entered into interest rate swap agreements with various counterparties wherein the Agency has agreed to pay fixed or variable rates of interest and receive floating rate payments.

Bonds payable and the terms and outstanding notional amounts and fair value of associated interest rate swaps as of June 30, 2009 are as follows (dollars in thousands):

| Bonds and Debenture Notes | | | | | | |
|------------------------------|---------------------|----------------------------|----------------------------|--------------------------|-----------------------------|--------------|
| <u>Bond Issue</u> | <u>Type of Bond</u> | <u>Interest Rate Range</u> | <u>Final Maturity Date</u> | <u>Outstanding Fixed</u> | <u>Outstanding Variable</u> | <u>Total</u> |
| Home Mortgage Revenue Bonds: | | | | | | |
| 1982 Series A | Tax-Exempt | 10.250% | 2014 | \$ 1,590 | | \$ 1,590 |
| 1982 Series B | Tax-Exempt | 10.625% | 2014 | 500 | | 500 |
| 1983 Series A | Tax-Exempt | 10.263% | 2015 | 16,725 | | 16,725 |
| 1983 Series B | Tax-Exempt | 10.751% | 2015 | 3,462 | | 3,462 |
| 1984 Series B | Tax-Exempt | 11.493% | 2016 | 487 | | 487 |
| 1985 Series A | Tax-Exempt | 10.989% | 2016 | 844 | | 844 |
| 1985 Series B | Tax-Exempt | 9.876% | 2017 | 3,475 | | 3,475 |
| 1997 Series O | Tax-Exempt | 5.650% | 2027 | 5,435 | | 5,435 |
| 1998 Series F | Tax-Exempt | 4.700% - 5.100% | 2016 | 10,990 | | 10,990 |
| 1998 Series J | Tax-Exempt | 4.850% | 2027 | 1,075 | | 1,075 |
| 1998 Series M | Taxable | 5.590% | 2023 | | 9,490 | 9,490 |
| 1999 Series F | Tax-Exempt | 5.200% | 2028 | 4,243 | | 4,243 |
| 1999 Series G | Taxable | 6.870% | 2011 | 8,255 | | 8,255 |
| 1999 Series N | Tax-Exempt | 5.100% - 5.300% | 2031 | 18,215 | | 18,215 |
| 1999 Series O | Taxable | 1.250% | 2012 | | 9,475 | 9,475 |
| 1999 Series O | Taxable | 1.250% | 2012 | | 4,990 | 4,990 |
| 2000 Series B | Tax-Exempt | 6.200% | 2019 | 2,339 | | 2,339 |
| 2000 Series D | Taxable | 1.260% | 2023 | | 11,925 | 11,925 |
| 2000 Series D | Taxable | 1.260% | 2023 | | 16,160 | 16,160 |
| 2000 Series H | Taxable | 1.220% | 2017 | | 9,885 | 9,885 |
| 2000 Series H | Taxable | 1.220% | 2017 | | 17,075 | 17,075 |
| 2000 Series J | Tax-Exempt | 2.430% | 2031 | | 24,565 | 24,565 |
| 2000 Series J | Tax-Exempt | 2.430% | 2031 | | 565 | 565 |
| 2000 Series K | Taxable | 5.980% | 2031 | | 8,925 | 8,925 |
| 2000 Series N | Tax-Exempt | 2.430% | 2031 | | 29,075 | 29,075 |
| 2000 Series V | Taxable | 1.740% | 2032 | | 34,680 | 34,680 |
| 2000 Series V | Taxable | 1.740% | 2032 | | 11,960 | 11,960 |
| 2000 Series X-1 | Tax-Exempt | | | | | |
| 2000 Series X-2 | Tax-Exempt | 1.110% | 2031 | | 29,740 | 29,740 |
| 2000 Series Z | Taxable | 1.280% | 2031 | | 37,200 | 37,200 |
| 2000 Series Z | Taxable | 1.280% | 2031 | | 3,715 | 3,715 |
| 2001 Series C | Tax-Exempt | | | | | |
| 2001 Series C | Tax-Exempt | | | | | |

SWAPS

| Fixed Rate Paid By <u>Agency</u> | Floating Rate Received By <u>Agency</u> | Effective <u>Date</u> | Termination <u>Date</u> | Outstanding Notional/Applicable <u>Amount</u> | Fair <u>Value</u> |
|---|--|----------------------------------|------------------------------------|--|------------------------------|
| 6.6550% | LIBOR | 12/9/99 | 8/1/12 | \$ 9,475 | \$ (615) |
| 7.1950% | LIBOR | 1/27/00 | 2/1/13 | 11,925 | (881) |
| 7.2600% | LIBOR | 4/6/00 | 8/1/10 | 9,885 | (161) |
| 4.9000% | LIBOR @ 65% | 5/25/00 | 8/1/30 | 24,565 | (4,414) |
| 7.5000% | LIBOR | 5/25/00 | 2/1/17 | 47,455 | (1,970) |
| 5.1600% | LIBOR @ 65% | 5/25/00 | 8/1/22 | 29,915 | (1,457) |
| 7.0960% | 6 mo LIBOR | 10/5/00 | 8/1/14 | 34,680 | (3,615) |
| 4.3580% | LIBOR @ 64% | 12/13/00 | 8/1/15 | 3,420 | (196) |
| 4.5100% | LIBOR @ 65% | 12/13/00 | 8/1/31 | 30,100 | (4,445) |
| 6.8430% | 3 mo LIBOR | 12/13/00 | 8/1/16 | 37,200 | (4,383) |
| 3.9000% | LIBOR @ 65% | 1/25/01 | 8/1/20 | 4,885 | (252) |
| 4.1600% | LIBOR @ 65% | 1/25/01 | 8/1/16 | 780 | (474) |

Bonds and Debenture Notes

| <u>Bond Issue</u> | <u>Type of Bond</u> | <u>Interest Rate Range</u> | <u>Final Maturity Date</u> | <u>Outstanding Fixed</u> | <u>Outstanding Variable</u> | <u>Total</u> |
|-------------------|---------------------|----------------------------|----------------------------|--------------------------|-----------------------------|--------------|
| 2001 Series D | Taxable | 1.360% | 2022 | | 53,890 | 53,890 |
| 2001 Series D | Taxable | 1.360% | 2022 | | 10,810 | 10,810 |
| 2001 Series G | Taxable | 1.300% | 2029 | | 34,085 | 34,085 |
| 2001 Series G | Taxable | 1.300% | 2029 | | 17,225 | 17,225 |
| 2001 Series J | Tax-Exempt | 0.800% | 2032 | | 44,085 | 44,085 |
| 2001 Series J | Tax-Exempt | 0.800% | 2032 | | 1,315 | 1,315 |
| 2001 Series K | Taxable | 1.340% | 2032 | | 67,105 | 67,105 |
| 2001 Series N | Tax-Exempt | | | | | |
| 2001 Series O | Taxable | 1.370% | 2032 | | 57,855 | 57,855 |
| 2001 Series O | Taxable | 1.370% | 2032 | | 7,680 | 7,680 |
| 2001 Series R | Tax-Exempt | | | | | |
| 2001 Series S | Taxable | 1.410% | 2023 | | 39,495 | 39,495 |
| 2001 Series S | Taxable | 1.410% | 2023 | | 5,400 | 5,400 |
| 2001 Series U | Tax-Exempt | 2.040% | 2032 | | 52,350 | 52,350 |
| 2001 Series V | Taxable | 1.230% | 2031 | | 16,345 | 16,345 |
| 2002 Series B | Tax-Exempt | 3.740% | 2033 | | 40,945 | 40,945 |
| 2002 Series B | Tax-Exempt | 3.740% | 2033 | | 5 | 5 |
| 2002 Series C | Taxable | 1.350% | 2033 | | 25,925 | 25,925 |
| 2002 Series C | Taxable | 1.350% | 2033 | | 11,300 | 11,300 |
| 2002 Series D | Taxable | 1.270% | 2030 | | 18,930 | 18,930 |
| 2002 Series D | Taxable | 1.270% | 2030 | | 14,420 | 14,420 |
| 2002 Series F | Tax-Exempt | 3.840% | 2033 | | 48,045 | 48,045 |
| 2002 Series H | Taxable | 1.350% | 2022 | | 13,320 | 13,320 |
| 2002 Series H | Taxable | 1.350% | 2022 | | 10,615 | 10,615 |
| 2002 Series J | Tax-Exempt | 0.770% | 2033 | | 80,485 | 80,485 |
| 2002 Series J | Tax-Exempt | 0.770% | 2033 | | 930 | 930 |
| 2002 Series L | Taxable | 1.350% | 2024 | | 19,500 | 19,500 |
| 2002 Series L | Taxable | 1.350% | 2024 | | 5,210 | 5,210 |
| 2002 Series M | Tax-Exempt | 0.450% | 2032 | | 41,600 | 41,600 |
| 2002 Series M | Tax-Exempt | 0.450% | 2032 | | 4,095 | 4,095 |
| 2002 Series M | Tax-Exempt | 0.450% | 2033 | | 30,300 | 30,300 |
| 2002 Series O | Taxable | 1.320% | 2033 | | 15,040 | 15,040 |
| 2002 Series O | Taxable | 1.320% | 2033 | | 8,510 | 8,510 |
| 2002 Series P | Tax-Exempt | | | | | |
| 2002 Series Q | Tax-Exempt | 0.770% | 2033 | | 20,225 | 20,225 |
| 2002 Series U | Tax-Exempt | 2.370% | 2032 | | 35,575 | 35,575 |
| 2002 Series U | Tax-Exempt | 2.370% | 2031 | | 37,255 | 37,255 |
| 2002 Series U | Tax-Exempt | 2.370% | 2031 | | 4,150 | 4,150 |
| 2002 Series V | Tax-Exempt | 3.150% - 3.750% | 2009 | 1,535 | | 1,535 |
| 2003 Series B | Taxable | 1.230% | 2027 | | 600 | 600 |
| 2003 Series D | Tax-Exempt | 2.700% | 2033 | | 48,500 | 48,500 |
| 2003 Series D | Tax-Exempt | 2.000% | 2022 | | 38,005 | 38,005 |
| 2003 Series F | Tax-Exempt | 2.820% | 2022 | | 46,225 | 46,225 |
| 2003 Series F | Tax-Exempt | 2.820% | 2034 | | 78,830 | 78,830 |
| 2003 Series G | Taxable | 1.250% | 2034 | | 19,295 | 19,295 |
| 2003 Series H | Tax-Exempt | 2.890% | 2032 | | 49,925 | 49,925 |
| 2003 Series H | Tax-Exempt | 2.890% | 2033 | | 55,580 | 55,580 |
| 2003 Series I | Taxable | 1.280% | 2033 | | 34,940 | 34,940 |
| 2003 Series K | Tax-Exempt | 0.730% | 2033 | | 62,650 | 62,650 |
| 2003 Series K | Tax-Exempt | 0.730% | 2033 | | 985 | 985 |
| 2003 Series K | Tax-Exempt | 0.730% | 2034 | | 46,905 | 46,905 |
| 2003 Series L | Taxable | 1.280% | 2034 | | 32,420 | 32,420 |
| 2003 Series M | Tax-Exempt | 0.510% | 2024 | | 51,645 | 51,645 |
| 2003 Series M | Tax-Exempt | 0.510% | 2024 | | 670 | 670 |
| 2003 Series M | Tax-Exempt | 0.910% | 2034 | | 74,740 | 74,740 |

SWAPS

| Fixed Rate Paid By Agency | Floating Rate Received By Agency | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|--|---|---------------------------|-----------------------------|---|-----------------------|
| 6.2150% | 3 mo LIBOR+.26% | 1/25/01 | 8/1/19 | 53,890 | (6,126) |
| 6.0100% | 3 mo LIBOR+.20% | 4/5/01 | 2/1/16 | 34,085 | (3,036) |
| 4.1430% | LIBOR @ 65% | 5/31/01 | 8/1/24 | 44,085 | (4,102) |
| 3.9910% | LIBOR @ 65% | 7/26/01 | 8/1/18 | 12,485 | (943) |
| 6.3600% | 3 mo LIBOR+.27% | 7/26/01 | 8/1/20 | 57,855 | (7,132) |
| Fixed Amount | LIBOR @ 65% | 10/10/01 | 8/1/11 | 2,295 | (894) |
| 5.5300% | 3 mo LIBOR+.31% | 10/10/01 | 8/1/18 | 39,495 | (3,206) |
| 4.1300% | SIFMA less .15% | 12/6/01 | 8/1/32 | 52,350 | (4,313) |
| 3.8880% | LIBOR @ 65% | 4/18/02 | 8/1/27 | 40,945 | (4,608) |
| 5.6000% | 3 mo LIBOR+.25% | 5/1/02 | 8/1/12 | 25,925 | (1,328) |
| 5.8000% | 3 mo LIBOR+.17% | 8/1/02 | 2/1/11 | 18,930 | (645) |
| 3.9940% | LIBOR @ 65% | 6/6/02 | 2/1/24 | 48,045 | (4,739) |
| 5.5350% | 3 mo LIBOR+.25% | 11/1/02 | 2/1/13 | 13,320 | (586) |
| 3.8630% | LIBOR @ 65% | 8/8/02 | 8/1/32 | 80,485 | (7,100) |
| 5.1000% | 3 mo LIBOR+.25% | 12/1/02 | 2/1/13 | 19,500 | (888) |
| 3.7280% | LIBOR @ 65% | 10/17/02 | 8/1/22 | 41,600 | (4,045) |
| Fixed Amount | LIBOR @ 65% | 10/17/02 | 8/1/12 | 4,095 | (1,422) |
| 4.4800% | LIBOR @ 65% | 10/17/02 | 8/1/33 | 30,300 | (96) |
| 3.9890% | 3 mo LIBOR+.22% | 2/3/03 | 2/1/12 | 15,040 | (459) |
| 3.1480% | LIBOR @ 65% | 12/12/02 | 8/1/22 | 55,525 | (3,083) |
| 3.8200% | LIBOR @ 65% | 12/12/02 | 8/1/32 | 20,225 | (645) |
| 3.9100% | LIBOR @ 60%+.26% | 3/6/03 | 2/1/31 | 35,575 | (369) |
| 3.2400% | LIBOR @ 60%+.26% | 3/6/03 | 2/1/31 | 37,255 | 1,592 |
| 3.7750% | LIBOR @ 60%+.26% | 4/10/03 | 8/1/33 | 48,500 | (1,216) |
| 3.1300% | LIBOR @ 60%+.26% | 4/10/03 | 8/1/19 | 38,005 | (1,076) |
| 3.1250% | LIBOR @ 60%+.26% | 3/26/03 | 2/1/18 | 46,225 | (1,979) |
| 3.7000% | LIBOR @ 60%+.26% | 3/26/03 | 2/1/34 | 78,830 | (1,441) |
| 2.6750% | LIBOR @ 60%+.26% | 8/7/03 | 8/1/30 | 49,925 | (749) |
| 3.4270% | LIBOR @ 60%+.26% | 8/7/03 | 8/1/33 | 55,580 | 269 |
| 3.2700% | LIBOR @ 60%+.26% | 8/1/04 | 2/1/18 | 62,650 | (2,783) |
| 4.2450% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/30 | 46,905 | (688) |
| 3.2250% | LIBOR @ 60%+.26% | 2/2/04 | 8/1/19 | 51,645 | (1,843) |
| 3.8900% | LIBOR @ 60%+.26% | 2/2/04 | 2/1/34 | 74,740 | (1,889) |

Bonds and Debenture Notes

| <u>Bond Issue</u> | <u>Type of Bond</u> | <u>Interest Rate Range</u> | | <u>Final Maturity Date</u> | <u>Outstanding Fixed</u> | <u>Outstanding Variable</u> | <u>Total</u> |
|-------------------|---------------------|----------------------------|----------|----------------------------|--------------------------|-----------------------------|--------------|
| 2003 Series N | Taxable | | 1.310% | 2034 | | 37,060 | 37,060 |
| 2004 Series A | Tax-Exempt | | 0.820% | 2033 | | 36,590 | 36,590 |
| 2004 Series A | Tax-Exempt | | 0.820% | 2034 | | 33,870 | 33,870 |
| 2004 Series A | Tax-Exempt | | 0.820% | 2034 | | 695 | 695 |
| 2004 Series B | Taxable | | 1.270% | 2034 | | 4,235 | 4,235 |
| 2004 Series E | Tax-Exempt | | 0.470% | 2035 | | 53,955 | 53,955 |
| 2004 Series E | Tax-Exempt | | 0.470% | 2035 | | 69,040 | 69,040 |
| 2004 Series F | Taxable | | 1.290% | 2035 | | 46,690 | 46,690 |
| 2004 Series G | Tax-Exempt | | 0.770% | 2034 | | 59,230 | 59,230 |
| 2004 Series G | Tax-Exempt | | 0.770% | 2035 | | 23,280 | 23,280 |
| 2004 Series H | Taxable | | 1.330% | 2035 | | 6,935 | 6,935 |
| 2004 Series I | Tax-Exempt | | 0.810% | 2034 | | 17,065 | 17,065 |
| 2004 Series I | Tax-Exempt | | 0.810% | 2035 | | 10,970 | 10,970 |
| 2004 Series I | Tax-Exempt | | 0.810% | 2035 | | 1,680 | 1,680 |
| 2005 Series A | Tax-Exempt | | 1.980% | 2035 | | 151,125 | 151,125 |
| 2005 Series B | Tax-Exempt | | 0.390% | 2016 | | 44,680 | 44,680 |
| 2005 Series B | Tax-Exempt | | 0.390% | 2035 | | 95,220 | 95,220 |
| 2005 Series B | Tax-Exempt | | 0.410% | 2035 | | 9,260 | 9,260 |
| 2005 Series B | Tax-Exempt | | 0.410% | 2035 | | 4,100 | 4,100 |
| 2005 Series C | Tax-Exempt | 3.250% | - 3.700% | 2013 | 26,190 | | 26,190 |
| 2005 Series D | Tax-Exempt | | 2.890% | 2038 | | 59,775 | 59,775 |
| 2005 Series D | Tax-Exempt | | 2.890% | 2038 | | 3,770 | 3,770 |
| 2005 Series D | Tax-Exempt | | 2.890% | 2040 | | 79,445 | 79,445 |
| 2005 Series D | Tax-Exempt | | 2.890% | 2040 | | 26,685 | 26,685 |
| 2005 Series E | Tax-Exempt | 3.125% | - 3.350% | 2011 | 8,780 | | 8,780 |
| 2005 Series F | Tax-Exempt | | 0.380% | 2037 | | 67,870 | 67,870 |
| 2005 Series F | Tax-Exempt | | 0.380% | 2037 | | 2,995 | 2,995 |
| 2005 Series F | Tax-Exempt | | 0.380% | 2038 | | 86,685 | 86,685 |
| 2005 Series F | Tax-Exempt | | 0.380% | 2040 | | 16,425 | 16,425 |
| 2005 Series G | Tax-Exempt | | 2.250% | 2034 | | 19,870 | 19,870 |
| 2005 Series G | Tax-Exempt | | 2.250% | 2034 | | 12,745 | 12,745 |
| 2005 Series H | Tax-Exempt | | 2.250% | 2036 | | 76,190 | 76,190 |
| 2005 Series H | Tax-Exempt | | 2.250% | 2036 | | 6,715 | 6,715 |
| 2005 Series H | Tax-Exempt | | 2.250% | 2036 | | 74,165 | 74,165 |
| 2006 Series A | Tax-Exempt | | 2.250% | 2035 | | 32,865 | 32,865 |
| 2006 Series A | Tax-Exempt | | 2.250% | 2035 | | 910 | 910 |
| 2006 Series B | Tax-Exempt | 3.650% | - 4.000% | 2013 | 19,575 | | 19,575 |
| 2006 Series C | Tax-Exempt | | 4.250% | 2037 | | 83,095 | 83,095 |
| 2006 Series C | Tax-Exempt | | 4.250% | 2037 | | 2,060 | 2,060 |
| 2006 Series C | Tax-Exempt | | 4.250% | 2037 | | 89,005 | 89,005 |
| 2006 Series D | Tax-Exempt | 4.250% | - 4.400% | 2017 | 20,000 | | 20,000 |
| 2006 Series E | Tax-Exempt | 4.250% | - 5.050% | 2026 | 93,290 | | 93,290 |
| 2006 Series F | Tax-Exempt | | 3.120% | 2041 | | 50,000 | 50,000 |
| 2006 Series F | Tax-Exempt | | 3.120% | 2041 | | 60,000 | 60,000 |
| 2006 Series G | Tax-Exempt | 3.650% | - 3.875% | 2016 | 29,490 | | 29,490 |
| 2006 Series H | Tax-Exempt | 3.875% | - 5.750% | 2030 | 59,010 | | 59,010 |
| 2006 Series I | Tax-Exempt | 4.600% | - 4.875% | 2041 | 165,310 | | 165,310 |
| 2006 Series J | Tax-Exempt | 3.650% | - 4.150% | 2016 | 27,840 | | 27,840 |
| 2006 Series K | Tax-Exempt | 4.550% | - 4.800% | 2042 | 256,410 | | 256,410 |
| 2006 Series L | Tax-Exempt | 3.625% | - 4.150% | 2016 | 45,775 | | 45,775 |
| 2006 Series M | Tax-Exempt | 4.550% | - 4.750% | 2042 | 215,660 | | 215,660 |
| 2007 Series A | Taxable | | 5.720% | 2032 | 90,000 | | 90,000 |
| 2007 Series B | Taxable | | 1.280% | 2042 | | 40,000 | 40,000 |
| 2007 Series C | Taxable | | 1.280% | 2042 | | 20,000 | 20,000 |
| 2007 Series D | Tax-Exempt | 3.750% | - 4.400% | 2018 | 71,170 | | 71,170 |
| 2007 Series E | Tax-Exempt | 4.650% | - 4.800% | 2042 | 191,390 | | 191,390 |

SWAPS

| Fixed Rate Paid By <u>Agency</u> | Floating Rate Received By <u>Agency</u> | Effective <u>Date</u> | Termination <u>Date</u> | Outstanding Notional/Applicable <u>Amount</u> | Fair <u>Value</u> |
|---|--|----------------------------------|------------------------------------|--|------------------------------|
| 3.0875% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/30 | 36,590 | (1,555) |
| 4.0450% | LIBOR @ 60%+.26% | 8/1/04 | 2/1/34 | 33,870 | (189) |
| 3.5400% | LIBOR @ 60%+.26% | 4/1/05 | 8/1/20 | 53,955 | (2,870) |
| 4.1330% | LIBOR @ 60%+.26% | 4/1/05 | 2/1/35 | 69,040 | (3,558) |
| 3.6100% | LIBOR @ 60%+.26% | 2/1/05 | 2/1/34 | 59,230 | (4,595) |
| 4.0821% | LIBOR @ 60%+.26% | 8/1/04 | 2/1/35 | 23,280 | (812) |
| 3.5600% | LIBOR @ 60%+.26% | 8/4/04 | 2/1/33 | 17,065 | (1,359) |
| 4.0750% | LIBOR @ 60%+.26% | 8/4/04 | 2/1/35 | 10,970 | (170) |
| 3.8040% | LIBOR @ 60%+.26% | 4/5/05 | 8/1/35 | 151,125 | (82) |
| 3.0490% | LIBOR @ 60%+.26% | 7/1/05 | 2/1/16 | 44,680 | (1,650) |
| 3.7260% | LIBOR @ 60%+.26% | 7/1/05 | 2/1/35 | 95,220 | (1,246) |
| 3.6900% | LIBOR @ 65% | 10/10/01 | 8/1/35 | 15,935 | (1,374) |
| 3.1580% | LIBOR @ 60%+.26% | 5/19/05 | 2/1/36 | 59,775 | (2,893) |
| 3.6040% | LIBOR @ 60%+.26% | 5/19/05 | 2/1/40 | 79,445 | (527) |
| 3.2200% | LIBOR @ 60%+.26% | 7/28/05 | 8/1/31 | 67,870 | (1,354) |
| 3.3860% | LIBOR @ 60%+.26% | 7/28/05 | 2/1/38 | 86,685 | (1,415) |
| 4.4540% | 97% SIFMA & HR | 12/15/05 | 2/1/34 | 21,160 | (457) |
| 3.9320% | LIBOR @ 62%+.25%&HR | 12/15/05 | 2/1/34 | 13,580 | (363) |
| 3.6500% | LIBOR @ 62%+.25% | 12/15/05 | 8/1/31 | 76,190 | (4,493) |
| 3.8570% | LIBOR @ 62%+.25% | 12/15/05 | 2/1/36 | 74,165 | (2,869) |
| 4.3530% | 97% SIFMA | 2/2/06 | 8/1/35 | 32,865 | (617) |
| 4.0180% | LIBOR @ 62%+.25% | 4/19/06 | 8/1/30 | 83,095 | (4,051) |
| 4.0590% | LIBOR @ 62%+.25% | 4/19/06 | 2/1/37 | 89,005 | (5,265) |
| 4.2550% | LIBOR @ 62%+.25% | 7/27/06 | 8/1/40 | 60,000 | (3,065) |
| 4.1360% | LIBOR @ 62%+.25% | 7/27/06 | 2/1/41 | 60,000 | (4,991) |

Bonds and Debenture Notes

| <u>Bond Issue</u> | <u>Type of Bond</u> | <u>Interest Rate Range</u> | | <u>Final Maturity Date</u> | <u>Outstanding Fixed</u> | <u>Outstanding Variable</u> | <u>Total</u> |
|----------------------------------|---------------------|----------------------------|---|----------------------------|--------------------------|-----------------------------|--------------|
| 2007 Series F | Tax-Exempt | 3.950% | - | 4.700% | 2017 | 44,865 | 44,865 |
| 2007 Series G | Tax-Exempt | 4.950% | - | 5.500% | 2029 | 109,025 | 109,025 |
| 2007 Series G | Tax-Exempt | 4.950% | - | 5.500% | 2042 | 88,040 | 88,040 |
| 2007 Series H | Tax-Exempt | | | 2.290% | 2033 | 50,000 | 50,000 |
| 2007 Series H | Tax-Exempt | | | 2.290% | 2042 | 50,000 | 50,000 |
| 2007 Series I | Tax-Exempt | 3.700% | - | 4.350% | 2017 | 16,685 | 16,685 |
| 2007 Series J | Tax-Exempt | 4.950% | - | 5.050% | 2027 | 55,470 | 55,470 |
| 2007 Series J | Tax-Exempt | | | 5.750% | 2047 | 37,215 | 37,215 |
| 2007 Series K | Tax-Exempt | | | 0.910% | 2037 | 25,000 | 25,000 |
| 2007 Series K | Tax-Exempt | | | 0.910% | 2038 | 25,000 | 25,000 |
| 2007 Series L | Taxable | | | 5.530% | 2027 | 49,710 | 49,710 |
| 2007 Series M | Taxable | | | 5.835% | 2032 | 89,170 | 89,170 |
| 2007 Series N | Taxable | | | 1.280% | 2043 | 60,000 | 60,000 |
| 2008 Series A | Tax-Exempt | 3.000% | - | 4.500% | 2020 | 42,510 | 42,510 |
| 2008 Series B | Tax-Exempt | 4.800% | - | 4.800% | 2028 | 35,960 | 35,960 |
| 2008 Series C | Tax-Exempt | | | 2.060% | 2041 | 13,920 | 13,920 |
| 2008 Series C | Tax-Exempt | | | 2.060% | 2041 | 20,085 | 20,085 |
| 2008 Series C | Tax-Exempt | | | 2.060% | 2041 | 15,850 | 15,850 |
| 2008 Series C | Tax-Exempt | | | 2.060% | 2041 | 7,005 | 7,005 |
| 2008 Series C | Tax-Exempt | | | 2.060% | 2041 | 7,760 | 7,760 |
| 2008 Series C | Tax-Exempt | | | 2.060% | 2041 | 5,945 | 5,945 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2043 | 1,680 | 1,680 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2043 | 2,595 | 2,595 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2043 | 1,355 | 1,355 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2043 | 3,865 | 3,865 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2043 | 4,210 | 4,210 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2043 | 1,980 | 1,980 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2031 | 45,600 | 45,600 |
| 2008 Series D | Tax-Exempt | | | 2.070% | 2031 | 37,675 | 37,675 |
| 2008 Series E | Tax-Exempt | | | 0.450% | 2032 | 28,450 | 28,450 |
| 2008 Series E | Tax-Exempt | | | 0.450% | 2032 | 17,950 | 17,950 |
| 2008 Series E | Tax-Exempt | | | 0.450% | 2032 | 19,055 | 19,055 |
| 2008 Series F | Tax-Exempt | | | 2.060% | 2032 | 25,000 | 25,000 |
| 2008 Series G | Taxable | | | 6.000% | 2025 | 50,000 | 50,000 |
| 2008 Series H | Taxable | | | 4.950% | 2020 | 100,000 | 100,000 |
| 2008 Series I | Taxable | | | 2.940% | 2042 | 17,000 | 17,000 |
| 2008 Series I | Taxable | | | 2.940% | 2042 | 44,865 | 44,865 |
| 2008 Series I | Taxable | | | 2.940% | 2042 | 86,905 | 86,905 |
| 2008 Series J | Tax-Exempt | 3.375% | - | 5.125% | 2018 | 79,525 | 79,525 |
| 2008 Series K | Tax-Exempt | 5.300% | - | 5.600% | 2038 | 220,475 | 220,475 |
| 2008 Series L | Tax-Exempt | 1.750% | - | 4.450% | 2018 | 189,790 | 189,790 |
| 2008 Series M | Tax-Exempt | 5.750% | - | 5.950% | 2025 | 60,210 | 60,210 |
| Single Family Mortgage Bonds II: | | | | | | | |
| 1997 Series A-1 | Tax-Exempt | 5.400% | - | 6.000% | 2020 | 4,580 | 4,580 |
| 1997 Series B-1 | Tax-Exempt | 4.950% | - | 5.650% | 2028 | 2,945 | 2,945 |
| 1997 Series B-3 | Tax-Exempt | 4.750% | - | 5.400% | 2029 | 7,390 | 7,390 |
| 1997 Series C-1 | Tax-Exempt | | | 5.050% | 2011 | 865 | 865 |
| 1997 Series C-2 | Tax-Exempt | | | 5.625% | 2020 | 2,260 | 2,260 |
| 1997 Series C-3 | Taxable | | | 6.790% | 2029 | 380 | 380 |
| 1998 Series A | Tax-Exempt | 4.750% | - | 5.375% | 2026 | 1,180 | 1,180 |
| 1998 Series B | Tax-Exempt | 5.150% | - | 5.200% | 2030 | 540 | 540 |
| 1999 Series A-2 | Tax-Exempt | 5.100% | - | 5.250% | 2030 | 6,350 | 6,350 |
| 1999 Series A-3 | Taxable | | | 5.880% | 2021 | 1,295 | 1,295 |
| 1999 Series D-2 | Tax-Exempt | | | 5.200% | 2013 | 700 | 700 |
| 1999 Series D-3 | Taxable | | | 6.880% | 2017 | 2,065 | 2,065 |

SWAPS

| Fixed Rate Paid By <u>Agency</u> | Floating Rate Received By <u>Agency</u> | Effective <u>Date</u> | Termination <u>Date</u> | Outstanding Notional/Applicable <u>Amount</u> | Fair <u>Value</u> |
|---|--|----------------------------------|------------------------------------|--|------------------------------|
| 4.0480% | LIBOR @ 62%+.25% | 8/8/07 | 2/1/31 | 50,000 | (4,648) |
| 4.2360% | LIBOR @ 62%+.25% | 8/8/07 | 2/1/38 | 50,000 | (4,999) |
| 3.3920% | LIBOR @ 63%+.24% | 11/7/07 | 8/1/32 | 25,000 | (437) |
| 4.0400% | LIBOR @ 63%+.24% | 11/7/07 | 2/1/38 | 25,000 | (1,635) |
| 4.8000% | LIBOR @ 65% | 4/6/00 | 2/1/23 | 13,720 | (2,001) |
| 5.1600% | LIBOR @ 65% | 5/25/00 | 8/1/22 | 20,085 | (971) |
| 4.1430% | LIBOR @ 65% | 5/31/01 | 8/1/24 | 15,805 | (2,042) |
| 3.9940% | LIBOR @ 65% | 6/6/02 | 2/1/24 | 7,005 | (4) |
| 3.8630% | LIBOR @ 65% | 8/8/02 | 8/1/32 | 7,760 | (2,411) |
| 4.9500% | LIBOR @ 65% | 11/18/08 | 8/1/23 | 5,945 | (287) |
| 4.9000% | LIBOR @ 65% | 5/25/00 | 8/1/30 | 1,680 | (507) |
| 4.1430% | LIBOR @ 65% | 5/31/01 | 8/1/24 | 2,595 | (386) |
| 3.9910% | LIBOR @ 65% | 7/26/01 | 8/1/18 | 1,355 | (173) |
| 4.1300% | SIFMA less .15% | 12/6/01 | 8/1/32 | 3,865 | (358) |
| 4.8500% | LIBOR @ 65% | 11/18/08 | 2/1/17 | 4,210 | (465) |
| 4.8000% | LIBOR @ 65% | 4/6/00 | 2/1/23 | 44,915 | (6,156) |
| 4.8500% | LIBOR @ 65% | 11/18/08 | 2/1/17 | 37,675 | (4,160) |
| 4.5275% | LIBOR @ 65% | 10/5/00 | 8/1/15 | 27,670 | (2,677) |
| 4.6600% | LIBOR @ 65% | 11/18/08 | 2/1/16 | 17,780 | (1,568) |
| 4.9500% | LIBOR @ 65% | 11/18/08 | 8/1/23 | 19,055 | (922) |
| 3.8700% | LIBOR @ 65% | 11/18/08 | 8/1/17 | 25,000 | (2,111) |
| 6.1950% | LIBOR | 8/1/02 | 8/1/14 | 17,000 | (2,014) |
| 7.1100% | LIBOR | 11/18/08 | 8/1/22 | 44,865 | (9,235) |

| Bonds and Debenture Notes | | | | | | | |
|---|---------------------|----------------------------|---|----------------------------|--------------------------|-----------------------------|--------------|
| <u>Bond Issue</u> | <u>Type of Bond</u> | <u>Interest Rate Range</u> | | <u>Final Maturity Date</u> | <u>Outstanding Fixed</u> | <u>Outstanding Variable</u> | <u>Total</u> |
| Housing Program Bonds: | | | | | | | |
| 2004 Series A | Tax-Exempt | | | 4.750% | 2036 | 31,500 | 31,500 |
| 2006 Series A | Tax-Exempt | 4.750% | - | 4.950% | 2036 | 47,090 | 47,090 |
| 2006 Series B -SF | Taxable | | | 4.970% | 2036 | 11,110 | 11,110 |
| 2006 Series B - MF | Taxable | | | 4.970% | 2036 | 49,225 | 49,225 |
| Housing Mortgage Bonds: | | | | | | | |
| 2009 Series A | Tax-Exempt | 6.250% | - | 12.000% | 2038 | 50,000 | 50,000 |
| Multifamily Loan Purchase Bonds: | | | | | | | |
| 2000 Series A | Taxable | | | Variable | 2017 | 58,709 | 58,709 |
| Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Mission Gardens Apartments Project): | | | | | | | |
| 2009 A | Tax-Exempt | | | 0.230% | 2041 | 4,620 | 4,620 |
| Variable Rate Demand Limited Obligation Multifamily Housing Revenue Bonds (Montecito Village Apartments Project): | | | | | | | |
| 2009 B | Tax-Exempt | | | 0.230% | 2043 | 6,325 | 6,325 |
| Multifamily Housing Revenue Bonds II: | | | | | | | |
| 1995 Series A | Tax-Exempt | | | 6.250% | 2037 | 2,765 | 2,765 |
| 1995 Series C | Taxable | 8.000% | - | 8.100% | 2037 | 19,755 | 19,755 |
| 1996 Series A | Tax-Exempt | | | 6.050% | 2027 | 16,920 | 16,920 |
| 1996 Series B | Tax-Exempt | 5.850% | - | 6.150% | 2022 | 20,165 | 20,165 |
| Multifamily Housing Revenue Bonds III: | | | | | | | |
| 1997 Series A | Tax-Exempt | 5.850% | - | 6.050% | 2038 | 60,040 | 60,040 |
| 1998 Series A | Tax-Exempt | 4.850% | - | 5.500% | 2038 | 29,150 | 29,150 |
| 1998 Series B | Tax-Exempt | 4.850% | - | 5.500% | 2039 | 72,240 | 72,240 |
| 1998 Series C | Tax-Exempt | 4.600% | - | 5.300% | 2028 | 10,475 | 10,475 |
| 1999 Series A | Tax-Exempt | 4.500% | - | 5.375% | 2036 | 32,650 | 32,650 |
| 2000 Series A | Tax-Exempt | | | 1.282% | 2035 | 33,335 | 33,335 |
| 2000 Series A | Tax-Exempt | | | 1.282% | 2026 | 46,105 | 46,105 |
| 2000 Series B | Tax-Exempt | | | 1.079% | 2031 | 6,540 | 6,540 |
| 2000 Series C | Tax-Exempt | | | 1.282% | 2033 | 50,400 | 50,400 |
| 2000 Series D | Tax-Exempt | | | 3.250% | 2031 | 14,895 | 14,895 |
| 2001 Series C | Taxable | | | 4.000% | 2041 | 12,960 | 12,960 |
| 2001 Series D | Tax-Exempt | | | 0.264% | 2022 | 2,590 | 2,590 |
| 2001 Series D | Tax-Exempt | | | 0.264% | 2022 | 1,455 | 1,455 |
| 2001 Series E | Tax-Exempt | | | 0.510% | 2036 | 48,900 | 48,900 |
| 2001 Series F | Tax-Exempt | | | 0.594% | 2032 | 15,415 | 15,415 |
| 2001 Series G | Tax-Exempt | | | 0.733% | 2036 | 43,660 | 43,660 |
| 2001 Series G | Tax-Exempt | | | 0.747% | 2036 | 9,660 | 9,660 |
| 2001 Series H | Taxable | | | 2.028% | 2036 | 14,715 | 14,715 |
| 2002 Series A | Tax-Exempt | | | 0.510% | 2037 | 12,760 | 12,760 |
| 2002 Series A | Tax-Exempt | | | 0.510% | 2037 | 11,950 | 11,950 |
| 2002 Series B | Tax-Exempt | | | 0.562% | 2035 | 25,480 | 25,480 |
| 2002 Series C | Tax-Exempt | | | 0.708% | 2037 | 13,855 | 13,855 |
| 2002 Series C | Tax-Exempt | | | 0.708% | 2037 | 16,345 | 16,345 |
| 2002 Series D | Tax-Exempt | | | 0.264% | 2035 | 11,755 | 11,755 |

SWAPS

| Fixed Rate Paid By <u>Agency</u> | Floating Rate Received By <u>Agency</u> | Effective Date | Termination Date | Outstanding Notional/Applicable Amount | Fair Value |
|---|--|---------------------------|-----------------------------|---|-----------------------|
| 3.1450% | LIBOR @ 60%+.26% | 11/4/04 | 11/1/19 | 35,000 | (1,648) |
| 5.4550% | SIFMA less .15% | 7/12/00 | 2/1/35 | 33,335 | (9,346) |
| 4.6600% | LIBOR @ 65% | 7/12/00 | 2/1/26 | 46,105 | (8,115) |
| 4.5850% | LIBOR @ 64% | 7/12/00 | 2/1/31 | 6,540 | (982) |
| 4.3950% | LIBOR @ 64% | 11/16/00 | 2/1/31 | 14,895 | (2,624) |
| 4.4520% | SIFMA less .20% | 6/28/01 | 8/1/22 | 2,590 | (281) |
| 4.7120% | SIFMA less .15% | 6/28/01 | 2/1/36 | 48,900 | (7,255) |
| 4.0290% | SIFMA less .20% | 2/1/02 | 2/1/32 | 15,415 | (994) |
| 4.2050% | SIFMA less .15% | 2/1/02 | 8/1/36 | 43,840 | (4,211) |
| 4.5950% | SIFMA less .15% | 2/1/04 | 2/1/34 | 10,085 | (1,318) |
| 4.5000% | SIFMA less .15% | 8/1/02 | 8/1/32 | 17,425 | (2,125) |
| 4.8900% | SIFMA less .15% | 2/2/04 | 2/1/37 | 11,950 | (2,055) |
| 4.0370% | SIFMA less .20% | 2/1/03 | 2/1/35 | 25,480 | (2,104) |
| 4.4050% | SIFMA less .15% | 2/1/04 | 2/1/37 | 13,855 | (1,677) |
| 4.6380% | SIFMA less .15% | 8/1/05 | 8/1/37 | 16,345 | (2,383) |
| 4.0850% | SIFMA less .20% | 2/3/03 | 2/1/35 | 11,755 | (1,048) |

Bonds and Debenture Notes

| <u>Bond Issue</u> | <u>Type of Bond</u> | <u>Interest Rate Range</u> | <u>Final Maturity Date</u> | <u>Outstanding Fixed</u> | <u>Outstanding Variable</u> | <u>Total</u> |
|---|---------------------|----------------------------|----------------------------|--------------------------|-----------------------------|--------------|
| 2002 Series E | Tax-Exempt | 0.510% | 2037 | | 15,305 | 15,305 |
| 2002 Series E | Tax-Exempt | 0.510% | 2037 | | 40,115 | 40,115 |
| 2003 Series C | Tax-Exempt | 1.060% | 2038 | | 14,685 | 14,685 |
| 2003 Series C | Tax-Exempt | 1.060% | 2038 | | 15,695 | 15,695 |
| 2003 Series C | Tax-Exempt | 1.060% | 2038 | | 17,655 | 17,655 |
| 2003 Series C | Tax-Exempt | 1.060% | 2038 | | 1,205 | 1,205 |
| 2004 Series A | Tax-Exempt | 3.278% | 2034 | | 20,770 | 20,770 |
| 2004 Series B | Tax-Exempt | 5.681% | 2039 | | 12,465 | 12,465 |
| 2004 Series B | Tax-Exempt | 5.681% | 2039 | | 6,605 | 6,605 |
| 2004 Series B | Tax-Exempt | 5.681% | 2039 | | 5,505 | 5,505 |
| 2004 Series B | Tax-Exempt | 5.681% | 2039 | | 15,815 | 15,815 |
| 2004 Series B | Tax-Exempt | 5.681% | 2039 | | 2,615 | 2,615 |
| 2004 Series B | Tax-Exempt | 5.681% | 2039 | | 6,215 | 6,215 |
| 2004 Series C | Tax-Exempt | 1.015% | 2037 | | 8,610 | 8,610 |
| 2004 Series C | Tax-Exempt | 1.015% | 2037 | | 4,050 | 4,050 |
| 2004 Series D | Tax-Exempt | 1.015% | 2039 | | 58,765 | 58,765 |
| 2005 Series A | Tax-Exempt | 6.054% | 2035 | | 2,340 | 2,340 |
| 2005 Series B | Tax-Exempt | 7.060% | 2038 | | 2,670 | 2,670 |
| 2005 Series B | Tax-Exempt | 7.060% | 2038 | | 25,565 | 25,565 |
| 2005 Series B | Tax-Exempt | 7.060% | 2038 | | 3,985 | 3,985 |
| 2005 Series B | Tax-Exempt | 7.060% | 2038 | | 5,710 | 5,710 |
| 2005 Series C | Tax-Exempt | 4.750% - 4.900% | 2036 | 8,710 | | 8,710 |
| 2005 Series D | Tax-Exempt | 4.250% | 2038 | | 31,850 | 31,850 |
| 2005 Series D | Tax-Exempt | 4.250% | 2038 | | 1,730 | 1,730 |
| 2005 Series E | Tax-Exempt | 3.700% - 4.950% | 2038 | 22,270 | | 22,270 |
| 2006 Series A | Tax-Exempt | 5.847% | 2041 | | 7,855 | 7,855 |
| 2006 Series A | Tax-Exempt | 5.847% | 2041 | | 9,430 | 9,430 |
| 2006 Series A | Tax-Exempt | 5.847% | 2041 | | 4,285 | 4,285 |
| 2006 Series A | Tax-Exempt | 5.848% | 2040 | | 10,010 | 10,010 |
| 2007 Series A | Tax-Exempt | 3.750% - 4.750% | 2034 | 6,035 | | 6,035 |
| 2007 Series B | Tax-Exempt | 1.282% | 2040 | | 3,755 | 3,755 |
| 2007 Series B | Tax-Exempt | 1.282% | 2040 | | 6,220 | 6,220 |
| 2007 Series B | Tax-Exempt | 1.282% | 2040 | | 6,130 | 6,130 |
| 2007 Series C | Tax-Exempt | 1.282% | 2042 | | 11,050 | 11,050 |
| 2007 Series C | Tax-Exempt | 1.282% | 2040 | | 14,125 | 14,125 |
| 2007 Series C | Tax-Exempt | 1.282% | 2034 | | 2,475 | 2,475 |
| 2008 Series A | Tax-Exempt | 0.228% | 2040 | | 11,180 | 11,180 |
| 2008 Series A | Tax-Exempt | 0.228% | 2040 | | 90 | 90 |
| 2008 Series B | Tax-Exempt | 2.063% | 2010 | | 505 | 505 |
| 2008 Series B | Tax-Exempt | 2.063% | 2036 | | 25,805 | 25,805 |
| 2008 Series B | Tax-Exempt | 2.063% | 2038 | | 28,560 | 28,560 |
| 2008 Series B | Tax-Exempt | 2.063% | 2042 | | 9,285 | 9,285 |
| 2008 Series B | Tax-Exempt | 2.063% | 2043 | | 23,655 | 23,655 |
| 2008 Series C | Tax-Exempt | 1.564% | 2038 | | 8,865 | 8,865 |
| 2008 Series C | Tax-Exempt | 1.564% | 2036 | | 14,685 | 14,685 |
| 2008 Series C | Tax-Exempt | 1.564% | 2038 | | 9,220 | 9,220 |
| | | | | 3,155,234 | 5,053,725 | 8,208,959 |
| Unamortized discount | | | | | | (787) |
| Unamortized premium | | | | | | 17,526 |
| Unamortized deferred losses on refundings | | | | | | (5,211) |
| Total Bonds | | | | | | 8,220,487 |
| Housing Assistance Trust: | | | | | | |
| Ridgeway Apartments (debenture note) | | 6.375% | 2010 | 23,134 | | 23,134 |
| Total Bonds and Debenture Notes | | | | 3,178,368 | 5,053,725 | 8,243,621 |

SWAPS

| Fixed Rate Paid By <u>Agency</u> | Floating Rate Received By <u>Agency</u> | Effective <u>Date</u> | Termination <u>Date</u> | Outstanding Notional/Applicable <u>Amount</u> | Fair <u>Value</u> |
|---|--|----------------------------------|------------------------------------|--|------------------------------|
| 4.1510% | SIFMA less .15% | 2/3/03 | 2/1/34 | 15,305 | (1,399) |
| 4.5710% | SIFMA less .15% | 11/1/04 | 8/1/37 | 40,115 | (5,811) |
| 3.5560% | LIBOR @ 60%+.26% | 2/1/04 | 8/1/35 | 14,685 | (617) |
| 4.0260% | LIBOR @ 60%+.26% | 8/1/05 | 8/1/35 | 15,695 | (1,027) |
| 4.1770% | LIBOR @ 60%+.26% | 2/1/06 | 8/1/38 | 17,655 | (1,289) |
| 3.0590% | LIBOR @ 60%+.21% | 8/1/04 | 8/1/34 | 21,210 | (1,001) |
| 3.6920% | LIBOR @ 60%+.26% | 8/1/06 | 8/1/36 | 12,480 | (1,061) |
| 3.3860% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/34 | 6,640 | (148) |
| 3.3300% | LIBOR @ 60%+.26% | 8/1/04 | 8/1/34 | 5,290 | (237) |
| 4.9783% | SIFMA less .15% | 8/1/06 | 2/1/39 | 15,450 | (2,008) |
| 4.5390% | SIFMA less .15% | 8/1/04 | 8/1/34 | 2,660 | (238) |
| 3.4350% | LIBOR @ 60%+.21% | 2/1/05 | 8/1/25 | 8,610 | (643) |
| 3.5640% | SIFMA less .20% | 7/1/05 | 8/1/35 | 2,340 | (71) |
| 3.9540% | SIFMA less .15% | 6/15/05 | 8/1/35 | 2,675 | (117) |
| 4.0790% | SIFMA less .15% | 2/1/07 | 2/1/37 | 25,555 | (1,667) |
| 3.9570% | SIFMA less .15% | 8/1/07 | 2/1/38 | 3,990 | (164) |
| 3.7010% | LIBOR @ 60%+.26% | 2/1/06 | 2/1/38 | 31,850 | (3,390) |
| 4.042% + HR | 97% SIFMA & HR | 6/15/06 | 8/1/27 | 7,855 | (580) |
| 4.381% + HR | 97% SIFMA & HR | 6/15/06 | 8/1/39 | 9,430 | (716) |
| 4.492% + HR | 97% SIFMA & HR | 6/15/06 | 2/1/41 | 4,285 | (344) |
| 3.9370% | LIBOR @ 64%+.25% | 7/12/07 | 2/1/22 | 3,755 | (251) |
| 4.2220% | LIBOR @ 64%+.25% | 8/1/09 | 2/1/40 | 6,220 | (828) |
| 3.7280% | LIBOR @ 63%+.30% | 2/1/08 | 8/1/42 | 11,050 | (665) |
| 3.9190% | LIBOR @ 63%+.30% | 11/1/09 | 8/1/40 | 14,125 | (1,353) |
| 3.2950% | LIBOR @ 61%+.24% | 11/1/09 | 8/1/40 | 11,180 | 742 |
| 2.3250% | SIFMA less .5% | 8/1/08 | 8/1/10 | 16,130 | (288) |
| 3.3850% | SIFMA less .15% | 8/1/03 | 8/1/36 | 25,805 | (576) |
| 4.2950% | SIFMA less .15% | 11/18/08 | 2/1/38 | 28,560 | (1,659) |
| 3.8830% | LIBOR @ 60%+.26% | 12/1/04 | 8/1/38 | 8,865 | (1,270) |
| 3.9680% | LIBOR @ 60%+.26% | 7/1/05 | 2/1/36 | 14,685 | (2,075) |
| 4.0600% | LIBOR @ 60%+.26% | 2/1/06 | 8/1/38 | 9,220 | (1,508) |

4,230,260 (276,843)

Changes in bonds and debenture notes payable for the year ended June 30, 2009 and 2008 are as follows (dollars in thousands):

| | 2009 | 2008 |
|---------------------------------------|----------------------|----------------------|
| | Combined | Combined |
| | <u>Totals</u> | <u>Totals</u> |
| Beginning of year balance | \$8,617,579 | \$7,579,228 |
| New bonds issued | 310,945 | 1,857,665 |
| Scheduled maturities | (122,818) | (93,870) |
| Redemptions | (564,753) | (734,042) |
| Bond accretions | 3,335 | 3,480 |
| Amortized discount | 61 | 152 |
| Amortized premium | (1,238) | (1,035) |
| Amortized deferred loss | 716 | 618 |
| Additions to deferred loss | (179) | (1,879) |
| Reclassified premium as deferred loss | (27) | |
| Additions to premiums | | 7,262 |
| End of year balance | <u>\$8,243,621</u> | <u>\$ 8,617,579</u> |
| Current portion | \$ 136,370 | \$ 111,738 |
| Noncurrent portion | <u>8,107,251</u> | <u>8,505,841</u> |
| Total | <u>\$ 8,243,621</u> | <u>\$ 8,617,579</u> |

The Agency's variable rate debt is typically related to common indices such as the Securities Industry and Financial Markets Association ("SIFMA", formerly the Bond Market Association ("BMA")) or the London Inter-Bank Offered Rate ("LIBOR") and resets periodically. The interest calculations shown in the table below are based on the variable rate in effect at June 30, 2009, and may not be indicative of the actual interest expense that will be incurred by the Fund. As rates vary, variable rate bond interest payments and net swap payments will vary. The table below provides a summary of debt service requirements and net swap payments for the next five years and in five year increments thereafter (dollars in thousands):

| Fiscal Year | Fixed/Variable | | Variable | | Interest Rate | |
|----------------|----------------|--------------|--------------|--------------|---------------|---------------|
| | Unswapped | | Swapped | | | |
| Ending June 30 | Principal | Interest | Principal | Interest | Swaps, Net | Total |
| 2010 | \$ 102,499 | \$165,783 | \$ 33,880 | \$ 63,187 | \$ 154,389 | \$ 519,738 |
| 2011 | 120,808 | 162,538 | 52,024 | 57,820 | 147,376 | 540,567 |
| 2012 | 125,856 | 158,047 | 72,415 | 57,148 | 138,122 | 551,587 |
| 2013 | 120,920 | 153,689 | 83,012 | 56,242 | 128,445 | 542,308 |
| 2014 | 115,301 | 149,313 | 91,244 | 55,189 | 119,518 | 530,565 |
| 2015-2019 | 667,165 | 666,397 | 561,767 | 256,869 | 478,853 | 2,631,051 |
| 2020-2024 | 666,921 | 515,492 | 686,362 | 218,218 | 323,014 | 2,410,007 |
| 2025-2029 | 662,421 | 358,988 | 913,972 | 172,369 | 213,734 | 2,321,483 |
| 2030-2034 | 573,559 | 233,258 | 1,101,338 | 98,183 | 107,919 | 2,114,258 |
| 2035-2039 | 629,185 | 108,272 | 510,065 | 28,665 | 23,984 | 1,300,171 |
| 2040-2044 | 226,864 | 15,106 | 87,581 | 3,580 | 991 | 334,122 |
| 2045-2049 | 3,800 | 442 | | | | 4,242 |
| Total | \$ 4,015,299 | \$ 2,687,325 | \$ 4,193,660 | \$ 1,067,470 | \$ 1,836,345 | \$ 13,800,099 |

Objective of the Interest Rate Swaps: In order to protect against rising rates, the Agency primarily entered into swaps to establish synthetic fixed rates for a like amount of the Agency's variable rate bond obligations. The majority of the Agency's interest rate swap transactions are structured for the Agency to pay a fixed interest rate while receiving a variable interest rate (fixed payer swaps), the exceptions are listed below under Basis Risk Associated with Interest Rate Swaps. Synthetic fixed rates provide the Agency with a significantly lower fixed cost of funds compared to issuing fixed-rate bonds.

Terms, Fair Value and Credit Risk of Interest Rate Swaps: The terms of the outstanding fixed payer swaps as of June 30, 2009 are summarized in the table above. The terms of the outstanding basis swaps are summarized in the table under Basis Risk Associated with Interest Rate Swaps.

All notional amounts (or “applicable amounts”) of the fixed payer swaps match the principal amounts of the associated debt with the following exceptions (dollars in thousands):

| <u>Bond Issue</u> | <u>Bonds Outstanding</u> | <u>Swap Notional Amount</u> | <u>Unmatched Swap</u> | <u>Fair Value</u> |
|---------------------|------------------------------|-------------------------------------|---------------------------|-----------------------|
| Home Mortgage | | | | |
| Revenue Bonds | | | | |
| 2000 Series C * | \$ - | \$ 41,885 | \$ 41,885 | \$ 43 |
| 2000 Series J * | 25,130 | 26,245 | 1,115 | (2) |
| 2000 Series K | 8,925 | 47,455 | 38,530 | (1,599) |
| 2000 Series N | 29,075 | 29,915 | 840 | (41) |
| 2000 Series U * | - | 27,665 | 27,665 | 41 |
| 2000 Series X1 | - | 3,420 | 3,420 | (196) |
| 2000 Series X2 * | 29,740 | 30,100 | 360 | (54) |
| 2001 Series C | - | 5,665 | 5,665 | (726) |
| 2001 Series N * | - | 12,485 | 12,485 | (933) |
| 2001 Series R | - | 2,295 | 2,295 | (894) |
| 2002 Series F * | 48,045 | 55,050 | 7,005 | (4) |
| 2002 Series P | - | 55,525 | 55,525 | (3,083) |
| 2005 Series B | 9,260 | 15,935 | 6,675 | (576) |
| 2006 Series F | 50,000 | 60,000 | 10,000 | (511) |
| Housing Program | | | | |
| Bonds: | | | | |
| 2004 Series A | 31,500 | 35,000 | 3,500 | (165) |
| Multifamily Housing | | | | |
| Revenue Bonds III: | | | | |
| 2001 Series G | 43,660 | 43,840 | 180 | (16) |
| 2002 Series A | 12,760 | 17,425 | 4,665 | (569) |
| 2004 Series A | 20,770 | 21,210 | 440 | (21) |
| 2004 Series B | 6,605 | 6,640 | 35 | (1) |
| 2004 Series B | 12,465 | 12,480 | 15 | (1) |
| 2004 Series B | 2,615 | 2,660 | 45 | (4) |
| 2005 Series B | 2,670 | 2,675 | 5 | - |
| 2005 Series B | 3,985 | 3,990 | 5 | - |
| 2008 Series B | 505 | 16,130 | 15,625 | (279) |
| Total | <u>337,710</u> | <u>575,690</u> | <u>237,980</u> | <u>(9,591)</u> |

*Includes Basis Swap.

As of June 30, 2009 the fair value of the unmatched swaps is reported in the combined balance sheets as “Deposits and other liabilities” or “Accounts receivable” and as a gain or loss on the fair value of the swaps as “Other Revenues” or “Other Expenses” in the combined statements of revenues, expenses and changes in Fund equity. The Agency did not pay or receive any cash when the swap transactions were initiated.

The Agency utilizes twelve highly-creditworthy counterparties for its interest rate swap transactions. Seventy-five percent of the notional amount outstanding at June 30, 2009 is with four of the counterparties. The largest single exposure to any one counterparty is \$1,190,980,000. The Agency negotiated “asymmetrical” credit requirements for all interest rate swap transactions. These asymmetrical provisions impose higher credit standards on the counterparties than on the Agency. Counterparties are required to collateralize their exposure to the Agency when their credit ratings fall from double-A to the highest single-A category (A1/A+), whereas the Agency is not required to provide collateralization until its ratings fall to the mid-single-A category (A2/A).

Because interest rates are generally lower than the rates in effect at inception of the swap agreements, the Agency's fixed payer swap agreements had an aggregate negative fair value of \$276,843,000 as of June 30, 2009. Fair values are as reported by the Agency's dealer counterparties and are estimated using the zero-coupon method.

As of June 30, 2009, the Agency's swap portfolio has an aggregate negative fair value and the Agency is not exposed to credit risk. Should the negative fair value of the swap portfolio be reduced as a result of market fluctuations and the aggregate fair value eventually become positive, the Agency would become exposed to the counterparties' credit, since the counterparties would be obligated to make payments to the Agency in the event of termination.

The table below shows the number of fixed payer swaps and outstanding notional amounts by the counterparties' respective credit ratings (dollars in thousands).

| <u>Moody's</u> | <u>Standard & Poors</u> | <u>Outstanding Notional Amount</u> | <u>Number of Swap Transactions</u> |
|----------------|-----------------------------|------------------------------------|------------------------------------|
| Aaa | AAA | \$ 599,975 | 38 |
| Aaa | AA | 25,000 | 1 |
| Aa1 | AAA | 373,800 | 10 |
| Aa1 | AA | 82,510 | 2 |
| Aa1 | AA- | 961,705 | 27 |
| Aa1 | A+ | 271,920 | 12 |
| Aa2 | A+ | 41,340 | 2 |
| Aa3 | A+ | 176,965 | 5 |
| A1 | A | 27,310 | 2 |
| A2 | A | 727,690 | 28 |
| A3 | A | 652,440 | 23 |
| A3 | A- | 287,055 | 9 |
| | | <u>\$ 4,227,710</u> | <u>159</u> |

Basis Risk Associated with Interest Rate Swaps: All of the Agency's interest rate swaps contain an element of basis risk, the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because floating rates paid by swap counterparties are based on indices, which consist of market-wide averages, while interest paid on the Agency's variable rate bonds is specific to individual bond issues.

Historically, the Agency's variable rate tax-exempt bonds trade at a slight discount to the SIFMA index. For those swaps associated with tax-exempt bonds for which the Agency receives a variable rate payment based on a percentage of LIBOR, the Agency is exposed to basis risk should the relationship between SIFMA and LIBOR converge.

Based on the historic relationship between short-term tax-exempt and taxable rates, the Agency initially chose to enter into many swaps at a ratio of 65% of LIBOR. However, with short-term rates at historic lows, the historic relationship between tax-exempt and taxable rates has not been maintained. Therefore, after considerable study of California tax-exempt variable rate history, the Agency settled on a new formula (60% of LIBOR plus a spread, currently .26%) that results in comparable fixed-rate economics but performs better when short-term rates are low and the SIFMA/LIBOR percentage is high. As of June 30, 2009, the SIFMA rate was .35%, 65% of one-month LIBOR was .20% and 60% of one-month LIBOR plus 26 basis points was .445%. Since December of 2002 the Agency has used this new formula, and the Agency expects to continue to use this formula for LIBOR based swaps exclusively. In addition, the Agency entered into eight basis swaps as a means to change the variable rate formula received for \$277,330,000 outstanding notional amount. These basis swaps changed the variable rate formula received from counterparties from 65% of LIBOR to those described in the table on the following page (dollars in thousands):

| <u>Bond Issue</u> | <u>Variable Rate Paid By Agency</u> | <u>Floating Rate Received By Agency */**</u> | <u>Effective Date</u> | <u>Termination Date</u> | <u>Outstanding Notional/Applicable Amount</u> | <u>Fair Value</u> |
|---------------------------------|---|--|---------------------------|-----------------------------|---|-----------------------|
| Home Mortgage Revenue Bonds: | | | | | | |
| 2000 Series C | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 2/1/17 | \$ 41,885 | \$ 43 |
| 2000 Series J | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/30 | 26,245 | (50) |
| 2000 Series U | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/15 | 27,665 | 41 |
| 2000 Series X-2 | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/31 | 30,100 | (39) |
| 2001 Series N | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/18 | 13,840 | 10 |
| 2002 Series B | LIBOR @ 65% | LIBOR @ 85%-0.019% | 8/1/04 | 8/1/27 | 40,945 | (84) |
| 2002 Series F | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 2/1/24 | 55,050 | (31) |
| 2002 Series M | LIBOR @ 65% | LIBOR @ 85%-0.019% | 2/1/04 | 8/1/22 | 41,600 | (23) |
| | | | | | <u>\$ 277,330</u> | <u>\$ (133)</u> |

* The notional amount and the amortization of these swaps mirror the initial 65% of LIBOR swaps, basically overlaying the swaps so that the effective rate received from the counterparties are the rates shown in the table above.

**The variable interest rate received by the counterparties is dependent on the LIBOR interest rate at the time of settlement. The rate shown in the table is the effective rate at 6/30/09.

Termination Risk associated with Interest Rate Swaps: Counterparties to the Agency's interest rate swap agreements have ordinary termination rights that require settlement payments by the Agency or the counterparty based on the fair value of the swap at the date of termination.

Rollover Risk Associated with Interest Rate Swaps: The Agency's interest rate swap agreements have limited rollover risk as the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled and anticipated reductions in the associated bonds payable.

Debenture Note Payable: In October 2004, a Development known as "Ridgeway Apartments," situated in Marin City, California, defaulted on its loan, which was insured by FHA under the Risk Sharing Act, with 50% of the risk covered by FHA. In May 2005, the Agency submitted a claim under the Risk Sharing Act, which FHA paid on May 13, 2005, in the amount of \$23,133,890, representing the unpaid principal balance of this loan in the amount of \$22,117,043 plus unpaid interest of \$1,016,847. On June 8, 2005, the amount representing the unpaid principal balance of the loan was used to redeem the respective multifamily housing revenue bonds issued to fund the loan, and the loan has been transferred to the Agency's Housing Assistance Trust.

In place of the bonds the Agency's obligation is to HUD in the form of a "debenture note payable", due May 13, 2010 with annual interest payments at a rate of 6.75%. The debenture note payable may be paid earlier upon the loan default being resolved (which may include the loan default being cured).

Bank Bonds: Under standby bond purchase agreements for the Agency's variable rate demand obligations "VRDO", if the Agency's variable rate bonds cannot be remarketed, the banks under the agreement are required to buy the bonds from the bondholders. These bonds may be remarketed or may be subject to mandatory redemptions at a later date. As of June 30, 2009, the Agency had a total of \$325,970,000 in outstanding bank bonds.

Note 8 – NONMORTGAGE INVESTMENT AND MORTGAGE YIELD

In accordance with Federal law, the Agency is required to rebate to the Internal Revenue Service ("IRS") the excess of the amount actually earned on all nonmortgage investments (derived from investing the bond proceeds) over the amount that would have been earned had those investments borne a rate equal to the yield on the bond issue, plus any income attributable to such excess. As of June 30, 2009 and 2008, the Fund had liabilities to the IRS totaling \$7,590,000 and \$9,537,000 respectively reported in the combined balance sheets as "Due to other Government entities." The net effect of changes in the liability account has been recorded as an increase in "Interest income from investments" in the combined statements of revenues, expenses and changes in Fund equity.

Additionally, the Agency has identified all the bond series that were issued as variable rate plans of finance and subject to review and monitoring of mortgage yield excess. Most of the excess yield occurred between 2000 and 2005 when bond variable rates were at historic lows compared to mortgage rates. As a result of our analyses, the Agency has included additional bond series in our mortgage yield excess liability. As of June 30, 2009 and 2008, the Fund had liabilities to the IRS totaling \$11,840,000 and \$25,379,000 respectively reported in the combined balance sheets as "Due to other Government entities." The net effect of this change is recorded as an increase in "Interest

income from program loans and loan agreements” in the combined statements of revenues, expenses and changes in Fund equity. The Agency will continue to monitor the status of mortgage yield compliance to mitigate further liability.

Note 9 – EXTINGUISHMENT OF DEBT

On August 28, 2008, the Agency issued Home Mortgage Revenue Bonds 2008 Series M and in September 2008 portions of the proceeds were used to refund Home Mortgage Revenue Bonds 2001 Series R. On May 6, 2009, the Agency issued Housing Mortgage Bonds 2009 Series A and in June 2009 portions of the proceeds were used to refund Home Mortgage Revenue Bonds 2005 Series B and 2006 Series F. The losses from the debt refundings were deferred and will be amortized as a component of interest expense over the shorter of the term of the bonds extinguished or the term of the refunding bonds.

A summary of the loss from the extinguishment of Homeownership Programs’ debt for the year ended June 30, 2009 is as follows (dollars in thousands):

| | |
|---------------------------------|-----------------|
| Unmatured principal | \$38,390 |
| Unamortized bond issuance costs | (61) |
| Unamortized underwriter's fees | (145) |
| Unamortized premiums | 27 |
| Net obligation defeased | 38,211 |
| Less proceeds disbursed | 38,390 |
| Deferred loss on defeasance | <u>\$ (179)</u> |

The refundings will increase the debt service cash outflow for Homeownership Programs by approximately \$27,675,000. The refundings may also produce an economic loss (present value of the difference between new and old debt service requirements) for Homeownership Programs, which is estimated to be approximately \$8,919,000. The purpose of the refundings was not necessarily to achieve debt service savings but rather to eliminate the risk associated with the structure of the refunded bonds.

For the year ended June 30, 2008, the Agency incurred a \$1,879,000 loss on the extinguishment of debt.

Note 10 – PENSION PLAN AND OTHER EMPLOYEE BENEFITS

The Fund contributes to the Public Employees’ Retirement Fund (“PERF”) as part of the State of California, the primary government. The PERF is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employment Retirement System (“CalPERS”). CalPERS provides retirement, death, disability and post retirement health care benefits to members as established by state statute. CalPERS issues a publicly available Comprehensive Annual Financial Report (“CAFR”) that includes financial statements and required supplementary information for the Public Employees’ Retirement Fund. A copy of that report may be obtained from CalPERS, Central Supply, P.O. Box 942715, Sacramento, CA 95229-2715 or via the internet at www.calpers.ca.gov.

For the CalPERS fiscal years ended June 30, 2009 and 2008 the employer contribution rates were 16.574% - 16.633% and 16.565% - 16.778%, respectively.

The Fund’s contributions to the PERF for the years ended June 30, 2009 and 2008 were \$2,551,982 and \$2,473,612, respectively, equal to the required contributions for each fiscal year.

Required contributions are determined by actuarial valuation using the individual entry age normal actuarial cost method. The most recent actuarial valuation available is as of June 30, 2007 which actuarial assumptions included (a) 7.75% investment rate of return compounded annually, (b) projected salary increases that vary based on duration of service, and (c) overall payroll growth factor of 3.25% annually. Both (a) and (c) included an inflation component of 3% compounded annually and a .25% per annum productivity increase assumption.

The most recent actuarial valuation of the PERF indicated that there was an unfunded actuarial accrued liability. The amount of the under funded liability applicable to each agency or department cannot be determined. For trend information, which presents CalPERS progress in accumulating sufficient assets to pay benefits when due, please see the June 30, 2009 CalPERS CAFR.

GASB Statement 45 requires states and local governments to publicly disclose the future dollar amount of their obligations to pay for Other Postemployment Benefits “OPEB”, like healthcare, that are provided to retired employees, including retired public employees. The OPEB is a cost-sharing multiple-employer defined benefit healthcare plan administered by CalPERS. The State of California is required to

include the information in its financial reports. State Controller's Office sets the employer contribution rate based on the annual required contribution of the employers "ARC", an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The Agency's estimated unfunded OPEB cost was \$4,594,000 and this liability was added to Personal Services for the year ended June 30, 2009. CalPERS issues a publicly available CAFR that includes financial statements and required supplementary information for the OPEB.

Note 11 – COMMITMENTS

As of June 30, 2009, the Agency had outstanding commitments and conditionally approved loan reservation to fund Homeownership Program loans totaling \$7,188,143 and had outstanding commitments to fund Multifamily Program loans totaling \$38,365,000. As of June 30, 2009, the Agency had proceeds available from bonds issued to fund \$59,860,934 of Homeownership Program loans and \$40,057,204 of Multifamily Program loans.

Note 12 – ARRANGEMENTS WITH THE MORTGAGE INSURANCE FUND

All operating and administrative expenses of the Agency are initially paid from the Fund including certain operating and administrative expenses in support of mortgage guarantee insurance programs which are reported in the Mortgage Insurance Fund. Quarterly the Fund charges the Mortgage Insurance Fund for these expenses.

The Agency Board of Directors approved Resolution 03-19 on March 20, 2003 authorizing the Agency to utilize the resources of the fund to support the mortgage guaranty insurance programs of the Agency in the following two ways: 1) the Executive Director of the Agency is authorized to create one or more supplementary reserve accounts within the Supplementary Bond Security Account of the Fund to indemnify the Mortgage Insurance Fund for losses incurred or to pay claims against the Mortgage Insurance Fund in connection with loans financed by the Agency, and 2) the Executive Director of the Agency may establish an inter-fund credit agreement by which the Mortgage Insurance Fund may borrow such sums from the Fund as may be required to maintain the claims paying rating of any credit rating service.

Subsequently, the Agency Executive Director established an inter-fund credit agreement in the amount of \$10,000,000 in which the Mortgage Insurance Fund may borrow from the Fund as needed for the purpose of paying claims arising out of policies of mortgage guarantee insurance and costs and expenses related to the payment of such claims. Interest rate(s) and repayment terms are determined upon receipt of a request to draw on this credit facility. The Mortgage Insurance Fund had not requested a draw on this credit through June 30, 2009.

Note 13 – LITIGATION

Certain lawsuits and claims arising in the ordinary course of business have been filed or are pending against the Agency. Based upon information available to the Agency, its review of such lawsuits and claims and consultation with counsel, the Agency believes the liability relating to these actions, if any, would not have a material adverse effect on the Fund's combined financial statements.

Note 14 – SUBSEQUENT EVENTS

On October 19, 2009, as part of President Obama's comprehensive plan to stabilize the U.S. housing market, the Administration released an initiative for state and local Housing Finance Agencies ("HFA") that will help support low mortgage rates and expand resources for low and middle income borrowers to purchase and rent homes that are affordable over the long term. The plan is designed to help state HFA's expand their affordable lending efforts and strengthen their financial standing by overcoming obstacles created by the financial crisis. The plan has two key components: 1) New Issue Bond Program ("NIBP"), through housing Government-Sponsored Enterprises Fannie Mae and Freddie Mac, will provide temporary financing for HFA's to issue new housing bonds to fund new mortgages; 2) Temporary Credit and Liquidity Program ("TCLP") for outstanding HFA variable rate debt to provide replacement credit and liquidity facilities that will reduce the costs of maintaining existing financing for the HFA's. On October 27, 2009, the Agency requested \$1,737,180,000 of participation in the NIBP, \$1,123,760,000 and \$613,420,000 for Single Family and Multifamily issues, respectively, and \$3,862,410,000 of participation in the TCLP, \$2,919,495,000 and \$942,915,000 for Single Family and Multifamily, respectively.

* * * * *

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
WITH ADDITIONAL COMBINING INFORMATION
June 30, 2009

(Dollars in Thousands)

| | HOMEOWNERSHIP PROGRAMS | MULTIFAMILY RENTAL HOUSING PROGRAMS | OTHER PROGRAMS AND ACCOUNTS | COMBINED TOTALS |
|--|---------------------------|--|--------------------------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 13,913 | \$ 4,273 | \$ 100,942 | \$ 119,128 |
| Investments | 691,701 | 124,945 | 1,058,668 | 1,875,314 |
| Current portion - program loans receivable | 114,403 | 120,133 | 72,976 | 307,512 |
| Interest receivable - Program loans | 27,194 | 7,563 | 2,338 | 37,095 |
| Interest receivable - Investments | 6,414 | 1,037 | 4,340 | 11,791 |
| Accounts receivable | 13,212 | - | 6,836 | 20,048 |
| Due from (to) other funds | (23,231) | (245) | 23,476 | - |
| Other assets | 90 | 470 | 91 | 651 |
| Total current assets | <u>843,696</u> | <u>258,176</u> | <u>1,269,667</u> | <u>2,371,539</u> |
| Noncurrent assets: | | | | |
| Investments | 171,210 | 16,699 | 53,739 | 241,648 |
| Program loans receivable | 6,295,530 | 1,171,279 | 546,246 | 8,013,055 |
| Due from (to) other funds | - | - | - | - |
| Deferred financing costs | 32,231 | 6,082 | 30 | 38,343 |
| Other assets | 95,551 | - | 924 | 96,475 |
| Total Noncurrent assets | <u>6,594,522</u> | <u>1,194,060</u> | <u>600,939</u> | <u>8,389,521</u> |
| Total Assets | <u>\$ 7,438,218</u> | <u>\$ 1,452,236</u> | <u>\$ 1,870,606</u> | <u>\$ 10,761,060</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Current liabilities: | | | | |
| Bonds payable | \$ 110,264 | \$ 26,106 | - | \$ 136,370 |
| Interest payable | 85,631 | 23,466 | \$ 54,477 | 163,574 |
| Due to (from) other government entities | (2,252) | - | 257,471 | 255,219 |
| Compensated absences | - | - | 2,317 | 2,317 |
| Deposits and other liabilities | 5,474 | 955 | 292,470 | 298,899 |
| Total current liabilities | <u>199,117</u> | <u>50,527</u> | <u>606,735</u> | <u>856,379</u> |
| Noncurrent liabilities: | | | | |
| Bonds and debenture notes payable | 6,774,121 | 1,309,994 | 23,135 | 8,107,250 |
| Due to (from) other government entities | 7,198 | 12,233 | - | 19,431 |
| Deferred revenue | 2,811 | 13 | 27,708 | 30,532 |
| Total noncurrent liabilities | <u>6,784,130</u> | <u>1,322,240</u> | <u>50,843</u> | <u>8,157,213</u> |
| Total Liabilities | <u>6,983,247</u> | <u>1,372,767</u> | <u>657,578</u> | <u>9,013,592</u> |
| Fund equity | | | | |
| Invested in capital assets | - | - | 806 | 806 |
| Restricted by indenture | 454,971 | 79,469 | - | 534,440 |
| Restricted by statute | - | - | 1,212,222 | 1,212,222 |
| Total Fund equity | <u>454,971</u> | <u>79,469</u> | <u>1,213,028</u> | <u>1,747,468</u> |
| Total Liabilities and Fund equity | <u>\$ 7,438,218</u> | <u>\$ 1,452,236</u> | <u>\$ 1,870,606</u> | <u>\$ 10,761,060</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
WITH ADDITIONAL COMBINING INFORMATION

June 30, 2009

(Dollars in Thousands)

| | HOMEOWNERSHIP PROGRAMS | MULTIFAMILY RENTAL HOUSING PROGRAMS | OTHER PROGRAMS AND ACCOUNTS | COMBINED TOTALS |
|--|---------------------------|--|--------------------------------------|---------------------|
| OPERATING REVENUES | | | | |
| Interest income: | | | | |
| Program loans and loan agreements -- net | \$ 343,516 | \$ 84,424 | \$ 21,546 | \$ 449,486 |
| Interest income - Investments -- net | 31,413 | 6,686 | 28,215 | 66,314 |
| Increase (decrease) in fair value of investments | 9,796 | 591 | 646 | 11,033 |
| Loan commitment fees | 200 | 4 | 2,003 | 2,207 |
| Other loan fees | 688 | 138 | 13,304 | 14,130 |
| Other revenues | 13 | 9,906 | 97,031 | 106,950 |
| Total Operating revenues | <u>385,626</u> | <u>101,749</u> | <u>162,745</u> | <u>650,120</u> |
| OPERATING EXPENSES | | | | |
| Interest | 243,685 | 71,046 | 112,566 | 427,297 |
| Amortization of bond discount and bond premium | (974) | 513 | - | (461) |
| Mortgage servicing fees | 19,396 | 7 | 170 | 19,573 |
| Provision (reversal) for estimated loan losses | 34,701 | 3,667 | 18,853 | 57,221 |
| Operating expenses | - | - | 39,773 | 39,773 |
| Other expenses | 13,119 | 31,806 | 207,861 | 252,786 |
| Total Operating expenses | <u>309,927</u> | <u>107,039</u> | <u>379,223</u> | <u>796,189</u> |
| Operating income (loss) before transfers | 75,699 | (5,290) | (216,478) | (146,069) |
| Transfers (interfund) | - | - | 448,433 | 448,433 |
| Transfers (intrafund) | (37,266) | (4,073) | 41,339 | - |
| Increase (decrease) in fund equity | <u>38,433</u> | <u>(9,363)</u> | <u>273,294</u> | <u>302,364</u> |
| Fund equity at beginning of year | 416,538 | 88,832 | 939,734 | 1,445,104 |
| Fund equity at end of year | <u>\$ 454,971</u> | <u>\$ 79,469</u> | <u>\$ 1,213,028</u> | <u>\$ 1,747,468</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS
WITH ADDITIONAL COMBINING INFORMATION

June 30, 2009

(Dollars in Thousands)

| | HOMEOWNERSHIP PROGRAMS | MULTIFAMILY RENTAL HOUSING PROGRAMS | OTHER PROGRAMS AND ACCOUNTS | COMBINED TOTALS |
|---|---------------------------|--|--------------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 345,072 | \$ 83,461 | \$ 25,041 | \$ 453,574 |
| Payments to suppliers | (20,470) | (207) | (13,354) | (34,031) |
| Payments to employees | - | - | (26,523) | (26,523) |
| Internal activity - payments other funds | - | - | - | - |
| Other receipts (payments) | (333,890) | 47,604 | 204,069 | (82,217) |
| Net cash provided by (used in) operating activities | (9,288) | 130,858 | 189,233 | 310,803 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intrafund transfers | (37,266) | (4,073) | 41,339 | - |
| Changes in due to (from) other government entities | (2,252) | - | (95,135) | (97,387) |
| Net cash provided by (used for) noncapital financing activities | (39,518) | (4,073) | (53,796) | (97,387) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sales of bonds | 300,000 | 10,945 | - | 310,945 |
| Payment of bond principal | (77,400) | (45,419) | - | (122,819) |
| Early bond redemptions | (375,688) | (189,065) | - | (564,753) |
| Interest paid on debt | (278,623) | (71,931) | (61,982) | (412,536) |
| Interfund transfers | - | - | 448,433 | 448,433 |
| Decrease (increase) in deferred financing costs | (1,941) | (11) | 28 | (1,924) |
| Net cash provided by (used for) capital and related financing activities | (433,652) | (295,481) | 386,479 | (342,654) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from maturity and sale of investments | 2,012,349 | 429,061 | 1,393,209 | 3,834,619 |
| Purchase of investments | (1,632,363) | (270,941) | (1,923,857) | (3,827,161) |
| Interest on investments | 38,003 | 8,965 | 29,167 | 76,135 |
| Net cash provided by (used for) investing activities | 417,989 | 167,085 | (501,481) | 83,593 |
| Net increase (decrease) in cash and cash equivalents | (64,469) | (1,611) | 20,435 | (45,645) |
| Cash and cash equivalents at beginning of year | 78,382 | 5,884 | 80,507 | 164,773 |
| Cash and cash equivalents at end of year | \$ 13,913 | \$ 4,273 | \$ 100,942 | \$ 119,128 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | 75,699 | (5,290) | (216,478) | (146,069) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt | 243,685 | 71,046 | 112,566 | 427,297 |
| Interest on investments | (31,413) | (6,687) | (28,214) | (66,314) |
| Changes in fair value of investments | (9,796) | (591) | (646) | (11,033) |
| Accretion of capital appreciation bonds | 3,335 | - | - | 3,335 |
| Amortization of bond discount | 33 | 29 | - | 62 |
| Amortization of deferred losses | 24 | 485 | - | 509 |
| Amortization of bond issuance costs | 3,101 | 1,526 | 12 | 4,639 |
| Amortization of bond premium | (1,237) | - | - | (1,237) |
| Amortization of deferred revenue | (200) | (4) | (2,003) | (2,207) |
| Depreciation | - | - | 201 | 201 |
| Provision (reversal for estimated loan losses | 34,701 | 4,638 | 17,882 | 57,221 |
| Provision for yield reduction payments | (13,559) | 19 | - | (13,540) |
| Provision for nonmortgage investment excess | (1,764) | (183) | - | (1,947) |
| Changes in certain assets and liabilities: | | | | |
| Purchase of program loans | (460,697) | (92,522) | 98,393 | (454,826) |
| Collection of principal from program loans - net | 229,702 | 161,453 | 64,392 | 455,547 |
| Interest receivable | 1,556 | (963) | 3,494 | 4,087 |
| Accounts receivable | (4,771) | - | (4,588) | (9,359) |
| Due from (to) other funds | (74,651) | (1,577) | 76,228 | - |
| Other assets | 30 | 28 | (114) | (56) |
| Compensated absences | - | - | (158) | (158) |
| Deposits and other liab | 1,289 | (549) | 64,394 | 65,134 |
| Due to other governments | - | - | - | - |
| Deferred revenue | (4,355) | - | 3,872 | (483) |
| Net cash provided by (used for) operating activities | \$ (9,288) | \$ 130,858 | \$ 189,233 | \$ 310,803 |

**CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
HOMEOWNERSHIP PROGRAMS**

June 30, 2009

(Dollars in Thousands)

| | HOME MORTGAGE REVENUE BONDS | SINGLE FAMILY MORTGAGE BONDS II | DRAW DOWN BONDS | SINGLE FAMILY HOUSING PROGRAM BONDS | SINGLE FAMILY HOME MORTGAGE BONDS | TOTAL HOMEOWNERSHIP PROGRAMS |
|--|--------------------------------------|--|-----------------------|---|---|------------------------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 13,125 | \$ 460 | \$ 21 | \$ 270 | \$ 37 | \$ 13,913 |
| Investments | 671,593 | 10,303 | 89 | 7,788 | 1,928 | 691,701 |
| Current portion - program loans receivable | 111,360 | 2,163 | - | - | 880 | 114,403 |
| Interest receivable - Program loans | 26,498 | 265 | - | 175 | 256 | 27,194 |
| Interest receivable - Investments | 6,207 | 144 | - | 30 | 33 | 6,414 |
| Accounts receivable | 13,014 | 153 | - | - | 45 | 13,212 |
| Due from (to) other funds | (23,485) | 8 | - | 144 | 102 | (23,231) |
| Other assets | 90 | - | - | - | - | 90 |
| Total current assets | <u>818,402</u> | <u>13,496</u> | <u>110</u> | <u>8,407</u> | <u>3,281</u> | <u>843,696</u> |
| Noncurrent assets: | | | | | | |
| Investments | 170,666 | 544 | - | - | - | 171,210 |
| Program loans receivable | 6,124,715 | 47,126 | - | 71,478 | 52,211 | 6,295,530 |
| Due from (to) other funds | - | - | - | - | - | - |
| Deferred financing costs | 31,358 | 134 | - | 632 | 107 | 32,231 |
| Other assets | 95,551 | - | - | - | - | 95,551 |
| Total Noncurrent assets | <u>6,422,290</u> | <u>47,804</u> | <u>-</u> | <u>72,110</u> | <u>52,318</u> | <u>6,594,522</u> |
| Total Assets | <u>\$ 7,240,692</u> | <u>\$ 61,300</u> | <u>\$ 110</u> | <u>\$ 80,517</u> | <u>\$ 55,599</u> | <u>\$ 7,438,218</u> |
| LIABILITIES AND FUND EQUITY | | | | | | |
| Current liabilities: | | | | | | |
| Bonds payable | \$ 106,630 | \$ 3,004 | - | - | \$ 630 | \$ 110,264 |
| Interest payable | 82,736 | 697 | - | \$ 1,721 | 477 | 85,631 |
| Due to (from) other government entities | (2,252) | - | - | - | - | (2,252) |
| Compensated absences | - | - | - | - | - | - |
| Deposits and other liabilities | 5,272 | 18 | - | 169 | 15 | 5,474 |
| Total current liabilities | <u>192,386</u> | <u>3,719</u> | <u>-</u> | <u>1,890</u> | <u>1,122</u> | <u>199,117</u> |
| Noncurrent liabilities: | | | | | | |
| Bonds and debenture notes payable | 6,607,622 | 27,528 | - | 89,700 | 49,271 | 6,774,121 |
| Due to (from) other government entities | 5,899 | 944 | - | 355 | - | 7,198 |
| Deferred revenue | 7,416 | (4,634) | - | - | 29 | 2,811 |
| Total noncurrent liabilities | <u>6,620,937</u> | <u>23,838</u> | <u>-</u> | <u>90,055</u> | <u>49,300</u> | <u>6,784,130</u> |
| Total Liabilities | <u>6,813,323</u> | <u>27,557</u> | <u>-</u> | <u>91,945</u> | <u>50,422</u> | <u>6,983,247</u> |
| Fund equity | | | | | | |
| Invested in capital assets | - | - | - | - | - | - |
| Restricted by indenture | 427,369 | 33,743 | 110 | (11,428) | 5,177 | 454,971 |
| Restricted by statute | - | - | - | - | - | - |
| Total Fund equity | <u>427,369</u> | <u>33,743</u> | <u>110</u> | <u>(11,428)</u> | <u>5,177</u> | <u>454,971</u> |
| Total Liabilities and Fund equity | <u>\$ 7,240,692</u> | <u>\$ 61,300</u> | <u>\$ 110</u> | <u>\$ 80,517</u> | <u>\$ 55,599</u> | <u>\$ 7,438,218</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
HOMEOWNERSHIP PROGRAM
June 30, 2009

(Dollars in Thousands)

| | HOME MORTGAGE REVENUE BONDS | SINGLE FAMILY MORTGAGE BONDS II | DRAW DOWN BONDS | SINGLE FAMILY HOUSING PROGRAM BONDS | SINGLE FAMILY HOME MORTGAGE BONDS | TOTAL HOMEOWNERSHIP PROGRAMS |
|--|--------------------------------------|--|-----------------------|---|---|------------------------------------|
| OPERATING REVENUES | | | | | | |
| Interest income: | | | | | | |
| Program loans and loan agreements -- net | \$ 339,256 | \$ 3,318 | - | \$ 376 | \$ 566 | \$ 343,516 |
| Interest income - Investments -- net | 30,332 | 373 | \$ 3 | 672 | 33 | 31,413 |
| Increase (decrease) in fair value of investments | 9,778 | 18 | - | - | - | 9,796 |
| Loan commitment fees | 175 | 24 | - | - | 1 | 200 |
| Other loan fees | 659 | - | - | - | 29 | 688 |
| Other revenues | 13 | - | - | - | - | 13 |
| Total Operating revenues | <u>380,213</u> | <u>3,733</u> | <u>3</u> | <u>1,048</u> | <u>629</u> | <u>385,626</u> |
| OPERATING EXPENSES | | | | | | |
| Interest | 236,937 | 1,754 | - | 4,517 | 477 | 243,685 |
| Amortization of bond discount and bond premium | (981) | 6 | - | - | 1 | (974) |
| Mortgage servicing fees | 19,166 | 193 | - | - | 37 | 19,396 |
| Provision (reversal) for estimated loan losses | 23,312 | (9) | - | 11,363 | 35 | 34,701 |
| Operating expenses | - | - | - | - | - | - |
| Other expenses | 13,873 | (1,236) | - | 480 | 2 | 13,119 |
| Total Operating expenses | <u>292,307</u> | <u>708</u> | <u>-</u> | <u>16,360</u> | <u>552</u> | <u>309,927</u> |
| Operating income (loss) before transfers | 87,906 | 3,025 | 3 | (15,312) | 77 | 75,699 |
| Transfers (interfund) | - | - | - | - | - | - |
| Transfers (intrafund) | (49,146) | - | (440) | 7,220 | 5,100 | (37,266) |
| Increase (decrease) in fund equity | 38,760 | 3,025 | (437) | (8,092) | 5,177 | 38,433 |
| Fund equity at beginning of year | 388,609 | 30,718 | 547 | (3,336) | - | 416,538 |
| Fund equity at end of year | <u>\$ 427,369</u> | <u>\$ 33,743</u> | <u>\$ 110</u> | <u>\$ (11,428)</u> | <u>\$ 5,177</u> | <u>\$ 454,971</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS -
HOMEOWNERSHIP PROGRAMS

June 30, 2009

(Dollars in Thousands)

| | HOME MORTGAGE REVENUE BONDS | SINGLE FAMILY MORTGAGE BONDS II | DRAW DOWN BONDS | SINGLE FAMILY HOUSING PROGRAM BONDS | SINGLE FAMILY HOME MORTGAGE BONDS | TOTAL HOMEOWNERSHIP PROGRAMS |
|---|--------------------------------------|--|-----------------------|---|---|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | \$ 341,047 | \$ 3,348 | - | \$ 367 | \$ 310 | \$ 345,072 |
| Payments to suppliers | (20,230) | (201) | - | (16) | (23) | (20,470) |
| Payments to employees | - | - | - | - | - | - |
| Internal activity - payments other funds | - | - | - | - | - | - |
| Other receipts (payments) | (260,740) | 5,524 | \$ (102) | (25,258) | (53,314) | (333,890) |
| Net cash provided by (used in) operating activities | <u>60,077</u> | <u>8,671</u> | <u>(102)</u> | <u>(24,907)</u> | <u>(53,027)</u> | <u>(9,288)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Intrafund transfers | (49,146) | - | (440) | 7,220 | 5,100 | (37,266) |
| Changes in due to (from) other government entities | (2,252) | - | - | - | - | (2,252) |
| Net cash provided by (used for) noncapital financing activities | <u>(51,398)</u> | <u>-</u> | <u>(440)</u> | <u>7,220</u> | <u>5,100</u> | <u>(39,518)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from sales of bonds | 250,000 | - | - | - | 50,000 | 300,000 |
| Payment of bond principal | (73,780) | (3,620) | - | - | - | (77,400) |
| Early bond redemptions | (355,468) | (1,720) | - | (18,500) | - | (375,688) |
| Interest paid on debt | (272,356) | (1,876) | - | (4,391) | - | (278,623) |
| Interfund transfers | - | - | - | - | - | - |
| Decrease (increase) in deferred financing costs | (1,833) | - | - | - | (108) | (1,941) |
| Net cash provided by (used for) capital and related financing activities | <u>(453,437)</u> | <u>(7,216)</u> | <u>-</u> | <u>(22,891)</u> | <u>49,892</u> | <u>(433,652)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from maturity and sale of investments | 1,936,539 | 8,507 | - | 47,454 | 19,849 | 2,012,349 |
| Purchase of investments | (1,591,994) | (10,863) | (3) | (7,726) | (21,777) | (1,632,363) |
| Interest on investments | 36,633 | 359 | 4 | 1,007 | - | 38,003 |
| Net cash provided by (used for) investing activities | <u>381,178</u> | <u>(1,997)</u> | <u>1</u> | <u>40,735</u> | <u>(1,928)</u> | <u>417,989</u> |
| Net increase (decrease) in cash and cash equivalents | (63,580) | (542) | (541) | 157 | 37 | (64,469) |
| Cash and cash equivalents at beginning of year | 76,705 | 1,002 | 562 | 113 | - | 78,382 |
| Cash and cash equivalents at end of year | <u>\$ 13,125</u> | <u>\$ 460</u> | <u>\$ 21</u> | <u>\$ 270</u> | <u>\$ 37</u> | <u>\$ 13,913</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | | | |
| Operating income (loss) | 87,906 | 3,026 | 3 | (15,313) | 77 | 75,699 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Interest expense on debt | 236,937 | 1,754 | - | 4,517 | 477 | 243,685 |
| Interest on investments | (30,333) | (373) | (3) | (672) | (32) | (31,413) |
| Changes in fair value of investments | (9,778) | (18) | - | - | - | (9,796) |
| Accretion of capital appreciation bonds | 3,335 | - | - | - | - | 3,335 |
| Amortization of bond discount | 33 | - | - | - | - | 33 |
| Amortization of deferred losses | 117 | 6 | - | - | (99) | 24 |
| Amortization of bond issuance costs | 2,937 | 22 | - | 141 | 1 | 3,101 |
| Amortization of bond premium | (1,237) | - | - | - | - | (1,237) |
| Amortization of deferred revenue | (174) | (25) | - | - | (1) | (200) |
| Depreciation | - | - | - | - | - | - |
| Provision (reversal) for estimated loan losses | 23,312 | (9) | - | 11,363 | 35 | 34,701 |
| Provision for yield reduction payments | (13,559) | - | - | - | - | (13,559) |
| Provision for nonmortgage investment excess | (1,642) | 16 | - | (138) | - | (1,764) |
| Changes in certain assets and liabilities: | | | | | | |
| Purchase of program loans | (381,156) | - | - | (26,324) | (53,217) | (460,697) |
| Collection of principal from program loans - net | 222,735 | 5,649 | - | 1,227 | 91 | 229,702 |
| Interest receivable | 1,789 | 31 | - | (8) | (256) | 1,556 |
| Accounts receivable | (4,669) | (57) | - | - | (45) | (4,771) |
| Due from (to) other funds | (74,559) | (33) | (102) | 146 | (103) | (74,651) |
| Other assets | 29 | 1 | - | - | - | 30 |
| Compensated absences | - | - | - | - | - | - |
| Deposits and other liab | 1,121 | (1) | - | 154 | 15 | 1,289 |
| Due to other governments | - | - | - | - | - | - |
| Deferred revenue | (3,067) | (1,318) | - | - | 30 | (4,355) |
| Net cash provided by (used for) operating activities | <u>\$ 60,077</u> | <u>\$ 8,671</u> | <u>\$ (102)</u> | <u>\$ (24,907)</u> | <u>\$ (53,027)</u> | <u>\$ (9,288)</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
MULTIFAMILY RENTAL HOUSING PROGRAMS
June 30, 2009

(Dollars in Thousands)

| | MULTIFAMILY LOAN PURCHASE BONDS | MULTIFAMILY HOUSING REVENUE BONDS II | MULTIFAMILY HOUSING REVENUE BONDS III | MULTIFAMILY DRAW DOWN BONDS |
|--|--|---|--|--------------------------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,609 | \$ 51 | \$ 2,156 | - |
| Investments | - | 8,070 | 110,652 | - |
| Current portion - program loans receivable | 24,000 | 1,049 | 90,768 | - |
| Interest receivable - Program loans | - | 369 | 5,864 | - |
| Interest receivable - Investments | - | 28 | 988 | - |
| Accounts receivable | - | - | - | - |
| Due from (to) other funds | (1) | - | (244) | - |
| Other assets | - | 60 | 409 | - |
| Total current assets | <u>25,608</u> | <u>9,627</u> | <u>210,593</u> | <u>-</u> |
| Noncurrent assets: | | | | |
| Investments | - | - | 16,699 | - |
| Program loans receivable | 33,481 | 54,045 | 1,031,068 | - |
| Due from (to) other funds | - | - | - | - |
| Deferred financing costs | - | 84 | 5,751 | - |
| Other assets | - | - | - | - |
| Total Noncurrent assets | <u>33,481</u> | <u>54,129</u> | <u>1,053,518</u> | <u>-</u> |
| Total Assets | <u>\$ 59,089</u> | <u>\$ 63,756</u> | <u>\$ 1,264,111</u> | <u>\$ -</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Current liabilities: | | | | |
| Bonds payable | - | \$ 675 | \$ 25,431 | - |
| Interest payable | \$ 380 | 1,675 | 20,404 | - |
| Due to (from) other government entities | - | - | - | - |
| Compensated absences | - | - | - | - |
| Deposits and other liabilities | 2 | 3 | 950 | - |
| Total current liabilities | <u>382</u> | <u>2,353</u> | <u>46,785</u> | <u>-</u> |
| Noncurrent liabilities: | | | | |
| Bonds and debenture notes payable | 58,710 | 58,510 | 1,132,604 | - |
| Due to (from) other government entities | - | - | 12,233 | - |
| Deferred revenue | - | - | 13 | - |
| Total noncurrent liabilities | <u>58,710</u> | <u>58,510</u> | <u>1,144,850</u> | <u>-</u> |
| Total Liabilities | <u>59,092</u> | <u>60,863</u> | <u>1,191,635</u> | <u>-</u> |
| Fund equity | | | | |
| Invested in capital assets | - | - | - | - |
| Restricted by indenture | (3) | 2,893 | 72,476 | - |
| Restricted by statute | - | - | - | - |
| Total Fund equity | <u>(3)</u> | <u>2,893</u> | <u>72,476</u> | <u>-</u> |
| Total Liabilities and Fund equity | <u>\$ 59,089</u> | <u>\$ 63,756</u> | <u>\$ 1,264,111</u> | <u>\$ -</u> |

| MULTIFAMILY HOUSING PROGRAM BONDS | MULTIFAMILY VRDLO 2009A | MULTIFAMILY VRDLO 2009B | TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS |
|--|-------------------------------|-------------------------------|---|
| \$ 93 | - | \$ 364 | \$ 4,273 |
| 6,223 | - | - | 124,945 |
| 4,314 | \$ 1 | 1 | 120,133 |
| 1,330 | - | - | 7,563 |
| 21 | - | - | 1,037 |
| - | - | - | - |
| - | - | - | (245) |
| 1 | - | - | 470 |
| <u>11,982</u> | <u>1</u> | <u>365</u> | <u>258,176</u> |
| - | - | - | 16,699 |
| 42,104 | 4,620 | 5,961 | 1,171,279 |
| - | - | - | - |
| 247 | - | - | 6,082 |
| - | - | - | - |
| <u>42,351</u> | <u>4,620</u> | <u>5,961</u> | <u>1,194,060</u> |
| <u>\$ 54,333</u> | <u>\$ 4,621</u> | <u>\$ 6,326</u> | <u>\$ 1,452,236</u> |
| \$ - | - | - | \$ 26,106 |
| 1,005 | \$ 1 | \$ 1 | 23,466 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | 955 |
| <u>1,005</u> | <u>1</u> | <u>1</u> | <u>50,527</u> |
| 49,225 | 4,620 | 6,325 | 1,309,994 |
| - | - | - | 12,233 |
| - | - | - | 13 |
| <u>49,225</u> | <u>4,620</u> | <u>6,325</u> | <u>1,322,240</u> |
| <u>50,230</u> | <u>4,621</u> | <u>6,326</u> | <u>1,372,767</u> |
| - | - | - | - |
| 4,103 | - | - | 79,469 |
| - | - | - | - |
| <u>4,103</u> | <u>-</u> | <u>-</u> | <u>79,469</u> |
| <u>\$ 54,333</u> | <u>\$ 4,621</u> | <u>\$ 6,326</u> | <u>\$ 1,452,236</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
MULTIFAMILY PROGRAM

June 30, 2009

(Dollars in Thousands)

| | MULTIFAMILY LOAN PURCHASE BONDS | MULTIFAMILY HOUSING REVENUE BONDS II | MULTIFAMILY HOUSING REVENUE BONDS III | MULTIFAMILY DRAW DOWN BONDS |
|--|--|---|--|--------------------------------------|
| OPERATING REVENUES | | | | |
| Interest income: | | | | |
| Program loans and loan agreements -- net | \$ 5,055 | \$ 4,387 | \$ 71,224 | - |
| Interest income - Investments -- net | 3 | 302 | 6,156 | - |
| Increase (decrease) in fair value of investments | - | - | 591 | - |
| Loan commitment fees | - | - | 4 | - |
| Other loan fees | - | - | 138 | - |
| Other revenues | - | - | 9,906 | - |
| Total Operating revenues | <u>5,058</u> | <u>4,689</u> | <u>88,019</u> | <u>-</u> |
| OPERATING EXPENSES | | | | |
| Interest | 5,040 | 4,034 | 60,194 | - |
| Amortization of bond discount and bond premium | - | 28 | 485 | - |
| Mortgage servicing fees | - | - | 7 | - |
| Provision (reversal) for estimated loan losses | - | (16) | 3,791 | - |
| Operating expenses | - | - | - | - |
| Other expenses | 18 | 83 | 31,695 | - |
| Total Operating expenses | <u>5,058</u> | <u>4,129</u> | <u>96,172</u> | <u>-</u> |
| Operating income (loss) before transfers | - | 560 | (8,153) | - |
| Transfers (interfund) | - | - | - | - |
| Transfers (intrafund) | - | (4,000) | 159 | (3) |
| Increase (decrease) in fund equity | - | (3,440) | (7,994) | (3) |
| Fund equity at beginning of year | (3) | 6,333 | 80,470 | 3 |
| Fund equity at end of year | <u>\$ (3)</u> | <u>\$ 2,893</u> | <u>\$ 72,476</u> | <u>\$ -</u> |

| MULTIFAMILY HOUSING PROGRAM BONDS | MULTIFAMILY VRDLO 2009A | MULTIFAMILY VRDLO 2009B | TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS |
|--|-------------------------------|-------------------------------|---|
| \$ 3,751 | \$ 3 | \$ 4 | \$ 84,424 |
| 225 | - | - | 6,686 |
| - | - | - | 591 |
| - | - | - | 4 |
| - | - | - | 138 |
| - | - | - | 9,906 |
| <u>3,976</u> | <u>3</u> | <u>4</u> | <u>101,749</u> |
| 1,771 | 3 | 4 | 71,046 |
| - | - | - | 513 |
| - | - | - | 7 |
| (108) | - | - | 3,667 |
| - | - | - | - |
| 10 | - | - | 31,806 |
| <u>1,673</u> | <u>3</u> | <u>4</u> | <u>107,039</u> |
| 2,303 | - | - | (5,290) |
| - | - | - | - |
| (229) | - | - | (4,073) |
| 2,074 | - | - | (9,363) |
| 2,029 | - | - | 88,832 |
| <u>\$ 4,103</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 79,469</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS -
MULTIFAMILY RENTAL HOUSING PROGRAMS

June 30, 2009

(Dollars in Thousands)

| | MULTIFAMILY LOAN PURCHASE BONDS | MULTIFAMILY HOUSING REVENUE BONDS II | MULTIFAMILY HOUSING REVENUE BONDS III | MULTIFAMILY DRAW DOWN BONDS |
|---|--|---|--|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 5,055 | \$ 4,394 | \$ 71,282 | - |
| Payments to suppliers | (8) | (17) | (182) | - |
| Payments to employees | - | - | - | - |
| Internal activity - payments other funds | - | - | - | - |
| Other receipts (payments) | 16,492 | 886 | 51,362 | - |
| Net cash provided by (used in) operating activities | <u>21,539</u> | <u>5,263</u> | <u>122,462</u> | <u>-</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intrafund transfers | - | (4,000) | 159 | \$ (3) |
| Changes in due to (from) other government entities | - | - | - | - |
| Net cash provided by (used for) noncapital financing activities | <u>-</u> | <u>(4,000)</u> | <u>159</u> | <u>(3)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sales of bonds | - | - | - | - |
| Payment of bond principal | (16,368) | (635) | (28,416) | - |
| Early bond redemptions | - | - | (189,065) | - |
| Interest paid on debt | (5,209) | (4,051) | (61,330) | - |
| Interfund transfers | - | - | - | - |
| Decrease (increase) in deferred financing costs | - | - | (11) | - |
| Net cash provided by (used for) capital and related financing activities | <u>(21,577)</u> | <u>(4,686)</u> | <u>(278,822)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from maturity and sale of investments | - | 18,791 | 394,980 | - |
| Purchase of investments | - | (15,892) | (248,856) | - |
| Interest on investments | 4 | 550 | 8,091 | - |
| Net cash provided by (used for) investing activities | <u>4</u> | <u>3,449</u> | <u>154,215</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (34) | 26 | (1,986) | (3) |
| Cash and cash equivalents at beginning of year | 1,643 | 25 | 4,142 | 3 |
| Cash and cash equivalents at end of year | <u>\$ 1,609</u> | <u>\$ 51</u> | <u>\$ 2,156</u> | <u>\$ -</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | - | 559 | (8,151) | - |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt | 5,040 | 4,034 | 60,194 | - |
| Interest on investments | (3) | (302) | (6,157) | - |
| Changes in fair value of investments | - | - | (591) | - |
| Accretion of capital appreciation bonds | - | - | - | - |
| Amortization of bond discount | - | 29 | - | - |
| Amortization of deferred losses | - | - | 485 | - |
| Amortization of bond issuance costs | - | 5 | 1,512 | - |
| Amortization of bond premium | - | - | - | - |
| Amortization of deferred revenue | - | - | (4) | - |
| Depreciation | - | - | - | - |
| Provision (reversal) for estimated loan losses | - | (15) | 3,853 | - |
| Provision for yield reduction payments | - | - | 19 | - |
| Provision for nonmortgage investment excess | - | - | (183) | - |
| Changes in certain assets and liabilities: | | | | |
| Purchase of program loans | - | - | (67,328) | - |
| Collection of principal from program loans - net | 16,502 | 1,054 | 140,746 | - |
| Interest receivable | - | 7 | 57 | - |
| Accounts receivable | - | - | - | - |
| Due from (to) other funds | - | - | (1,577) | - |
| Other assets | - | (108) | 136 | - |
| Compensated absences | - | - | - | - |
| Deposits and other liab | - | - | (549) | - |
| Due to other governments | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Net cash provided by (used for) operating activities | <u>\$ 21,539</u> | <u>\$ 5,263</u> | <u>\$ 122,462</u> | <u>\$ -</u> |

| MULTIFAMILY HOUSING PROGRAM BONDS | MULTIFAMILY VRDLO 2009A | MULTIFAMILY VRDLO 2009B | TOTAL MULTIFAMILY RENTAL HOUSING PROGRAMS |
|--|-------------------------------|-------------------------------|---|
| \$ 2,723 | \$ 3 | \$ 4 | \$ 83,461 |
| - | - | - | (207) |
| - | - | - | - |
| - | - | - | - |
| (10,553) | (4,621) | (5,962) | 47,604 |
| <u>(7,830)</u> | <u>(4,618)</u> | <u>(5,958)</u> | <u>130,858</u> |
| (229) | - | - | (4,073) |
| - | - | - | - |
| <u>(229)</u> | <u>-</u> | <u>-</u> | <u>(4,073)</u> |
| - | 4,620 | 6,325 | 10,945 |
| - | - | - | (45,419) |
| - | - | - | (189,065) |
| (1,336) | (2) | (3) | (71,931) |
| - | - | - | - |
| - | - | - | (11) |
| <u>(1,336)</u> | <u>4,618</u> | <u>6,322</u> | <u>(295,481)</u> |
| 15,290 | - | - | 429,061 |
| (6,193) | - | - | (270,941) |
| 320 | - | - | 8,965 |
| <u>9,417</u> | <u>-</u> | <u>-</u> | <u>167,085</u> |
| 22 | - | 364 | (1,611) |
| 71 | - | - | 5,884 |
| <u>\$ 93</u> | <u>\$ -</u> | <u>\$ 364</u> | <u>\$ 4,273</u> |
| 2,302 | - | - | (5,290) |
| 1,771 | 3 | 4 | 71,046 |
| (225) | - | - | (6,687) |
| - | - | - | (591) |
| - | - | - | - |
| - | - | - | 29 |
| - | - | - | 485 |
| 9 | - | - | 1,526 |
| - | - | - | - |
| - | - | - | (4) |
| - | - | - | - |
| 800 | - | - | 4,638 |
| - | - | - | 19 |
| - | - | - | (183) |
| (14,611) | (4,621) | (5,962) | (92,522) |
| 3,151 | - | - | 161,453 |
| (1,027) | - | - | (963) |
| - | - | - | - |
| - | - | - | (1,577) |
| - | - | - | 28 |
| - | - | - | - |
| - | - | - | (549) |
| - | - | - | - |
| - | - | - | - |
| <u>\$ (7,830)</u> | <u>\$ (4,618)</u> | <u>\$ (5,958)</u> | <u>\$ 130,858</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING BALANCE SHEET
OTHER PROGRAMS AND ACCOUNTS
June 30, 2009

(Dollars in Thousands)

| | HOUSING ASSISTANCE TRUST | CONTRACT ADMINISTRATION PROGRAMS | SUPPLEMENTAL BOND SECURITY ACCOUNT | EMERGENCY RESERVE ACCOUNT |
|--|---|---|---|--|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 57,872 | \$ 2,027 | - | \$ 1 |
| Investments | 129,881 | 463,271 | \$ 82,351 | 69,895 |
| Current portion - program loans receivable | 53,216 | - | - | - |
| Interest receivable - Program loans | 880 | 697 | - | - |
| Interest receivable - Investments | 815 | 1,697 | 152 | 263 |
| Accounts receivable | 21 | - | - | 69 |
| Due from (to) other funds | (80,146) | (4,101) | 25,629 | 14,606 |
| Other assets | 23 | - | - | - |
| Total current assets | <u>162,562</u> | <u>463,591</u> | <u>108,132</u> | <u>84,834</u> |
| Noncurrent assets: | | | | |
| Investments | 555 | - | - | - |
| Program loans receivable | 284,479 | 189,876 | - | - |
| Due from (to) other funds | - | - | - | - |
| Deferred financing costs | - | - | - | - |
| Other assets | 118 | - | - | - |
| Total Noncurrent assets | <u>285,152</u> | <u>189,876</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>\$ 447,714</u> | <u>\$ 653,467</u> | <u>\$ 108,132</u> | <u>\$ 84,834</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Current liabilities: | | | | |
| Bonds payable | - | - | - | - |
| Interest payable | \$ 198 | - | - | - |
| Due to (from) other government entities | 5 | \$ 685 | \$ 2,483 | - |
| Compensated absences | - | - | - | - |
| Deposits and other liabilities | 5 | 7,679 | 80,133 | - |
| Total current liabilities | <u>208</u> | <u>8,364</u> | <u>82,616</u> | <u>-</u> |
| Noncurrent liabilities: | | | | |
| Bonds and debenture notes payable | 23,135 | - | - | - |
| Due to (from) other government entities | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Total noncurrent liabilities | <u>23,135</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>23,343</u> | <u>8,364</u> | <u>82,616</u> | <u>-</u> |
| Fund equity | | | | |
| Invested in capital assets | - | - | - | - |
| Restricted by indenture | - | - | - | - |
| Restricted by statute | 424,371 | 645,103 | 25,516 | 84,834 |
| Total Fund equity | <u>424,371</u> | <u>645,103</u> | <u>25,516</u> | <u>84,834</u> |
| Total Liabilities and Fund equity | <u>\$ 447,714</u> | <u>\$ 653,467</u> | <u>\$ 108,132</u> | <u>\$ 84,834</u> |

| LOAN SERVICING | LOAN WAREHOUSING | HOMEOWNERSHIP SECONDARY MARKETING | OPERATING ACCOUNT | TOTAL OTHER PROGRAMS AND ACCOUNTS |
|-------------------|---------------------|---|----------------------|---|
| \$ 31,726 | \$ 8,819 | \$ 50 | \$ 447 | \$ 100,942 |
| 142,280 | 122,092 | - | 48,898 | 1,058,668 |
| - | 19,760 | - | - | 72,976 |
| - | 761 | - | - | 2,338 |
| 537 | 678 | - | 198 | 4,340 |
| 6,668 | 46 | - | 32 | 6,836 |
| (6,885) | 16,417 | (50) | 58,006 | 23,476 |
| - | - | - | 68 | 91 |
| <u>174,326</u> | <u>168,573</u> | <u>-</u> | <u>107,649</u> | <u>1,269,667</u> |
| - | 53,184 | - | - | 53,739 |
| - | 71,891 | - | - | 546,246 |
| - | - | - | - | - |
| - | - | - | 30 | 30 |
| - | - | - | 806 | 924 |
| <u>-</u> | <u>125,075</u> | <u>-</u> | <u>836</u> | <u>600,939</u> |
| <u>\$ 174,326</u> | <u>\$ 293,648</u> | <u>-</u> | <u>\$ 108,485</u> | <u>\$ 1,870,606</u> |
| - | - | - | - | - |
| - | \$ 1,296 | - | \$ 52,983 | 54,477 |
| - | 250,000 | - | 4,298 | 257,471 |
| - | - | - | 2,317 | 2,317 |
| 159,781 | 34,208 | - | 10,664 | 292,470 |
| <u>159,781</u> | <u>285,504</u> | <u>-</u> | <u>70,262</u> | <u>606,735</u> |
| - | - | - | - | 23,135 |
| - | - | - | - | - |
| - | 70 | - | 27,638 | 27,708 |
| <u>-</u> | <u>70</u> | <u>-</u> | <u>27,638</u> | <u>50,843</u> |
| <u>159,781</u> | <u>285,574</u> | <u>-</u> | <u>97,900</u> | <u>657,578</u> |
| - | - | - | 806 | 806 |
| - | - | - | - | - |
| 14,545 | 8,074 | - | 9,779 | 1,212,222 |
| <u>14,545</u> | <u>8,074</u> | <u>-</u> | <u>10,585</u> | <u>1,213,028</u> |
| <u>\$ 174,326</u> | <u>\$ 293,648</u> | <u>\$ -</u> | <u>\$ 108,485</u> | <u>\$ 1,870,606</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY
OTHER PROGRAMS AND ACCOUNTS

June 30, 2009

(Dollars in Thousands)

| | HOUSING ASSISTANCE TRUST | CONTRACT ADMINISTRATION PROGRAMS | SUPPLEMENTAL BOND SECURITY ACCOUNT | EMERGENCY RESERVE ACCOUNT |
|--|--------------------------------|--|---|---------------------------------|
| OPERATING REVENUES | | | | |
| Interest income: | | | | |
| Program loans and loan agreements -- net | \$ 20,421 | \$ 614 | - | - |
| Interest income - Investments -- net | 3,416 | 8,451 | \$ 1,442 | \$ 2,220 |
| Increase (decrease) in fair value of investments | 70 | - | - | - |
| Loan commitment fees | - | - | - | - |
| Other loan fees | 796 | - | - | - |
| Other revenues | 2,618 | 3,765 | - | - |
| Total Operating revenues | <u>27,321</u> | <u>12,830</u> | <u>1,442</u> | <u>2,220</u> |
| OPERATING EXPENSES | | | | |
| Interest | 1,475 | - | - | - |
| Amortization of bond discount and bond premium | - | - | - | - |
| Mortgage servicing fees | 24 | - | - | - |
| Provision (reversal) for estimated loan losses | (2,253) | 21,187 | - | - |
| Operating expenses | - | - | - | - |
| Other expenses | 53 | 18,995 | 84,732 | - |
| Total Operating expenses | <u>(701)</u> | <u>40,182</u> | <u>84,732</u> | <u>-</u> |
| Operating income (loss) before transfers | 28,022 | (27,352) | (83,290) | 2,220 |
| Transfers (interfund) | - | 448,433 | - | - |
| Transfers (intrafund) | <u>(112,122)</u> | <u>-</u> | <u>50,000</u> | <u>-</u> |
| Increase (decrease) in fund equity | (84,100) | 421,081 | (33,290) | 2,220 |
| Fund equity at beginning of year | 508,471 | 224,022 | 58,806 | 82,614 |
| Fund equity at end of year | <u>\$ 424,371</u> | <u>\$ 645,103</u> | <u>\$ 25,516</u> | <u>\$ 84,834</u> |

| LOAN SERVICING | LOAN WAREHOUSING | HOMEOWNERSHIP SECONDARY MARKETING | OPERATING ACCOUNT | TOTAL OTHER PROGRAMS AND ACCOUNTS |
|-------------------|---------------------|---|----------------------|---|
| - | \$ 511 | - | - | \$ 21,546 |
| \$ 143 | 11,360 | - | \$ 1,183 | 28,215 |
| - | 576 | - | - | 646 |
| - | - | - | 2,003 | 2,003 |
| 8,267 | 22 | - | 4,219 | 13,304 |
| 69,635 | - | - | 21,013 | 97,031 |
| <u>78,045</u> | <u>12,469</u> | <u>-</u> | <u>28,418</u> | <u>162,745</u> |
| - | 9,753 | - | 101,338 | 112,566 |
| - | - | - | - | - |
| - | 146 | - | - | 170 |
| - | (81) | - | - | 18,853 |
| - | - | - | 39,773 | 39,773 |
| 71,841 | 91 | - | 32,149 | 207,861 |
| <u>71,841</u> | <u>9,909</u> | <u>-</u> | <u>173,260</u> | <u>379,223</u> |
| 6,204 | 2,560 | - | (144,842) | (216,478) |
| - | - | - | - | 448,433 |
| 499 | 684 | - | 102,278 | 41,339 |
| 6,703 | 3,244 | - | (42,564) | 273,294 |
| 7,842 | 4,830 | - | 53,149 | 939,734 |
| <u>\$ 14,545</u> | <u>\$ 8,074</u> | <u>\$ -</u> | <u>\$ 10,585</u> | <u>\$ 1,213,028</u> |

CALIFORNIA HOUSING FINANCE FUND
SUPPLEMENTAL COMBINING STATEMENT OF CASH FLOWS -
OTHER PROGRAMS AND ACCOUNTS

June 30, 2009

(Dollars in Thousands)

| | HOUSING ASSISTANCE TRUST | CONTRACT ADMINISTRATION PROGRAMS | SUPPLEMENTAL BOND SECURITY ACCOUNT | EMERGENCY RESERVE ACCOUNT |
|---|--------------------------------|--|---|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 23,857 | \$ 219 | - | - |
| Payments to suppliers | (25) | - | - | - |
| Payments to employees | - | - | - | - |
| Internal activity - payments other funds | - | - | - | - |
| Other receipts (payments) | 112,239 | (61,049) | \$ (12,933) | \$ 4,139 |
| Net cash provided by (used in) operating activities | <u>136,071</u> | <u>(60,830)</u> | <u>(12,933)</u> | <u>4,139</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Intrafund transfers | (112,122) | - | 50,000 | - |
| Due to (from) other government entities | - | - | 2,483 | - |
| Net cash provided by (used for) noncapital financing activities | <u>(112,122)</u> | <u>-</u> | <u>52,483</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from sales of bonds | - | - | - | - |
| Payment of bond principal | - | - | - | - |
| Early bond redemptions | - | - | - | - |
| Interest paid on debt | (1,475) | - | - | - |
| Interfund transfers | - | 448,433 | - | - |
| (Additions) deductions to deferred financing costs | 28 | - | - | - |
| Net cash provided by (used for) capital and related financing activities | <u>(1,447)</u> | <u>448,433</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from maturity and sale of investments | 314,283 | 461,371 | 8,570 | 3,815 |
| Purchase of investments | (290,835) | (854,651) | (49,746) | (10,904) |
| Interest on investments - net | 3,809 | 7,381 | 1,626 | 2,442 |
| Net cash provided by (used for) investing activities | <u>27,257</u> | <u>(385,899)</u> | <u>(39,550)</u> | <u>(4,647)</u> |
| Net increase (decrease) in cash and cash equivalents | 49,759 | 1,704 | - | (508) |
| Cash and cash equivalents at beginning of year | 8,113 | 324 | - | 509 |
| Cash and cash equivalents at end of year | <u>\$ 57,872</u> | <u>\$ 2,028</u> | <u>\$ -</u> | <u>\$ 1</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | 28,021 | (27,352) | (83,290) | 2,220 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | |
| Interest expense on debt | 1,474 | - | - | - |
| Interest on investments | (3,416) | (8,451) | (1,442) | (2,220) |
| Changes in fair value of investments | (70) | - | - | - |
| Accretion of capital appreciation bonds | - | - | - | - |
| Total Amortization of bond discount | - | - | - | - |
| Total Amortization of deferred losses | - | - | - | - |
| Total Amortization of bond issuance costs | - | - | - | - |
| Amortization of bond premium | - | - | - | - |
| Amortization of deferred revenue | - | - | - | - |
| Depreciation | - | - | - | - |
| Provision (reversal for estimated loan losses | (2,551) | 21,187 | - | - |
| Provision for yield reduction payments | - | - | - | - |
| Provision for nonmortgage investment excess | - | - | - | - |
| Changes in certain assets and liabilities: | | | | |
| Purchase of program loans | (66,081) | (41,754) | - | - |
| Collection of principal from program loans - net | 57,293 | 3,319 | - | - |
| Interest receivable | 3,436 | (395) | - | - |
| Accounts receivable | (7) | - | - | (64) |
| Due from (to) other funds | 117,971 | (8,244) | (617) | 4,203 |
| Other assets | 1 | - | - | - |
| Compensated absences | - | - | - | - |
| Deposits and other liab | - | 860 | 72,416 | - |
| Due to other governments | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Net cash provided by (used for) operating activities | <u>\$ 136,071</u> | <u>\$ (60,830)</u> | <u>\$ (12,933)</u> | <u>\$ 4,139</u> |

| LOAN SERVICING | LOAN WAREHOUSING | HOMEOWNERSHIP SECONDARY MARKETING | OPERATING ACCOUNT | TOTAL OTHER PROGRAMS AND ACCOUNTS |
|---------------------|---------------------|---|----------------------|---|
| - | \$ 965 | - | - | \$ 25,041 |
| - | (172) | \$ - | \$ (13,157) | (13,354) |
| - | - | - | (26,523) | (26,523) |
| - | - | - | - | - |
| (8,095) | 185,283 | 50 | (15,565) | 204,069 |
| <u>(8,095)</u> | <u>186,076</u> | <u>50</u> | <u>(55,245)</u> | <u>189,233</u> |
| 499 | 684 | - | 102,278 | 41,339 |
| - | (100,000) | - | 2,382 | (95,135) |
| <u>499</u> | <u>(99,316)</u> | <u>-</u> | <u>104,660</u> | <u>(53,796)</u> |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | (12,152) | - | (48,355) | (61,982) |
| - | - | - | - | 448,433 |
| - | - | - | - | 28 |
| <u>-</u> | <u>(12,152)</u> | <u>-</u> | <u>(48,355)</u> | <u>386,479</u> |
| 63,177 | 499,536 | - | 42,457 | 1,393,209 |
| (54,515) | (618,265) | - | (44,941) | (1,923,857) |
| 738 | 11,785 | - | 1,386 | 29,167 |
| <u>9,400</u> | <u>(106,944)</u> | <u>-</u> | <u>(1,098)</u> | <u>(501,481)</u> |
| 1,804 | (32,336) | 50 | (38) | 20,435 |
| 29,922 | 41,155 | - | 484 | 80,507 |
| <u>\$ 31,726</u> | <u>\$ 8,819</u> | <u>\$ 50</u> | <u>\$ 446</u> | <u>\$ 100,942</u> |
| 6,204 | 2,561 | - | (144,842) | (216,478) |
| - | 9,753 | - | 101,339 | 112,566 |
| (143) | (11,359) | - | (1,183) | (28,214) |
| - | (576) | - | - | (646) |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | 12 | 12 |
| - | - | - | - | - |
| - | - | - | (2,003) | (2,003) |
| - | - | - | 201 | 201 |
| - | (754) | - | - | 17,882 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 206,228 | - | - | 98,393 |
| - | 3,780 | - | - | 64,392 |
| - | 453 | - | - | 3,494 |
| (4,789) | 276 | - | (4) | (4,588) |
| 2,011 | (18,087) | 50 | (21,059) | 76,228 |
| - | - | - | (115) | (114) |
| - | - | - | (158) | (158) |
| (11,378) | (6,220) | - | 8,716 | 64,394 |
| - | - | - | - | - |
| - | 21 | - | 3,851 | 3,872 |
| <u>\$ (8,095)</u> | <u>\$ 186,076</u> | <u>\$ 50</u> | <u>\$ (55,245)</u> | <u>\$ 189,233</u> |

